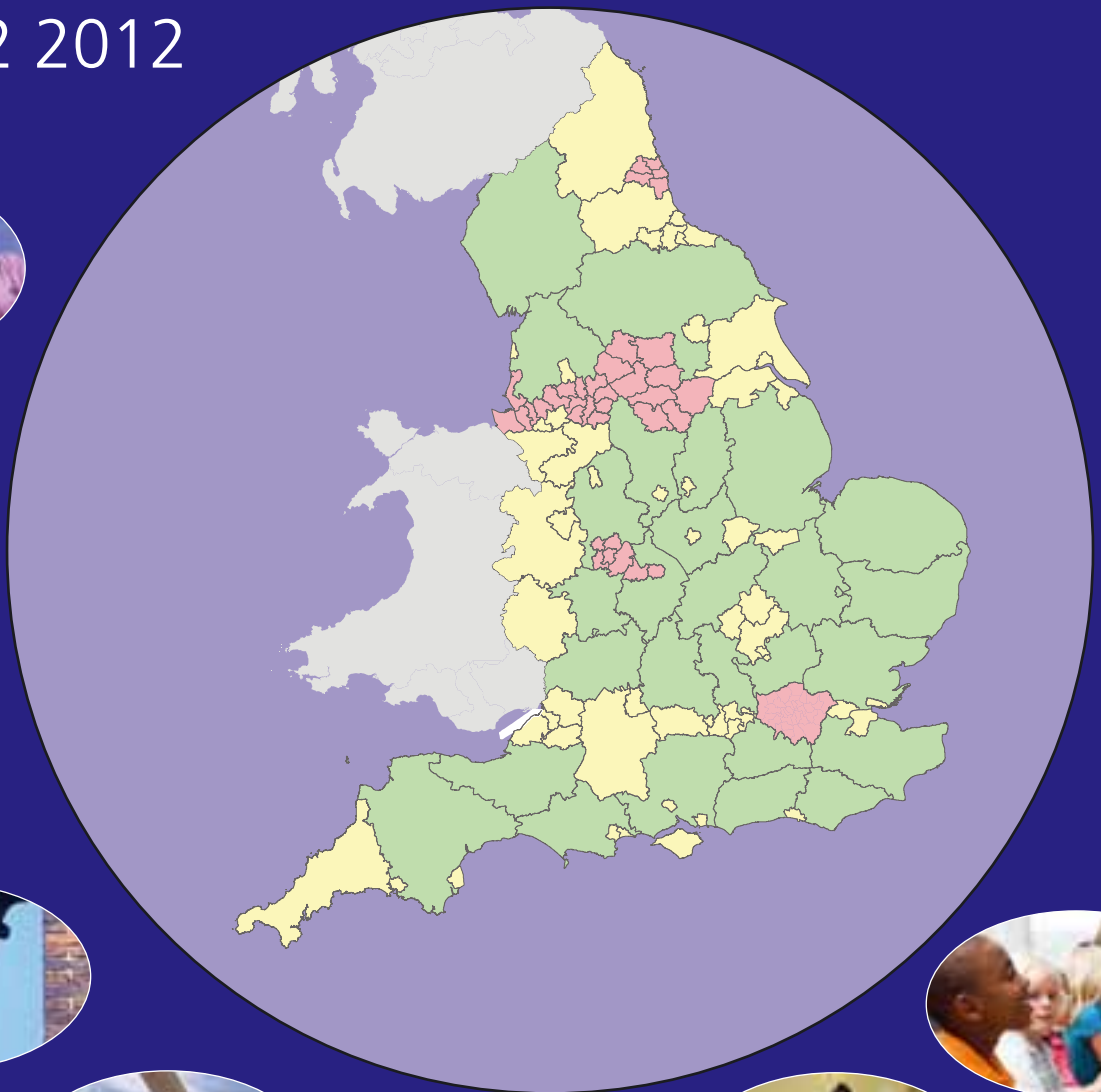


Local Government Financial Statistics England

No.22 2012





Local Government Financial Statistics England No.22 2012

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Annexes available online

<http://www.communities.gov.uk/publications/corporate/statistics/financialstatistics222012>

Symbols and conventions

...	=	not available
-	=	not relevant
-	=	negative
0	=	zero or negligible
B	=	budget
E	=	estimate
F	=	forecast
P	=	provisional
R	=	revised since the last statistical release
	=	discontinuity

Rounding

Where figures have been rounded, there may be a slight discrepancy between the total and the sum of constituent items.

PREFACE

This is the 22nd edition of *Local Government Financial Statistics England*, providing summaries of financial data from local authorities, though earlier versions of *LGFS* have been published and presented to Parliament since the 1930s. Most of the information comes from forms sent to the Department for Communities and Local Government (DCLG) by all local authorities in England.

Local government expenditure represents about a quarter of all public expenditure, and the data are used in the monitoring of public expenditure and the compilation of the National Accounts. Local government finance data are also used by the Government to inform the allocation of resources to local government and the development and monitoring of local government finance policy, and more widely, by local authorities, businesses and members of the public.

This volume contains detailed outturn summaries of local government expenditure and income for years up to 2010-11, the latest year for which complete information is available, and estimates for 2011-12. Before the publication of the next edition of *LGFS* in mid 2013, the latest information will be made available in statistical releases of 2011-12 outturn summaries and 2012-13 budgets, which will be published on the Department's website.

The data within this publication are National Statistics and as such have been produced to the high professional standards set out in the National Statistics Code of Practice. Most of the information in this publication is based on data supplied by local authorities to DCLG in statutory statistical returns. Due to the statutory nature of the returns response rates are normally 100%. Figures are subject to rigorous pre-defined validation tests both within the form itself and also within DCLG as the forms are received and stored. The publication itself, once prepared, is also subject to intensive peer review before being cleared as fit for the purposes of publication.

Local government finance statistics publications and other detailed data can be found at:

<http://www.communities.gov.uk/localgovernment/localregional/localgovernmentfinance/statistics/>

This link is also home to detailed statistical releases on revenue, capital and local tax statistics. Further information on data quality, methodology and the uses of the data can be found on these releases as well as a more detailed look at the statistical outputs. If you cannot locate the data you require please use the contact details below or in Annex E, which can be found online.

The key purpose of the *LGFS* compendium is to fulfil the statutory requirement to present a copy to parliament every year. However, it is also used by variety of different users and has been developed through time to be accessible to a wider audience. Users include local authorities (including fire, police, transport and waste authorities), central government colleagues, libraries, schools, contacts in government or local government organisations and the private sector.

LGFS provides users with a comprehensive and quantitative view of the financial system of local government but they are also guided through this with detailed commentary. This ensures that *LGFS* is both accessible to users who already have a good understanding of the subject area as well as those who are new to the topics. *LGFS* brings together local government finance topics all in one place. These topics include revenue expenditure and financing, capital expenditure and financing, local tax, borrowing and investments, pensions and pay and workforce. In addition information is provided to ensure that users understand the structure and responsibilities of local government and its significance in the national context. Maps and lists of all local authorities are provided for users

as well as any significant changes to the functions and structure of local government since the 1970s. This documentation is essential for work on historical data and time series analysis.

LGFS provides contact numbers online in Annex E for fourteen different subject areas to ensure that users are able to request and seek advice on any data or explanation they require.

As part of a wider corporate initiative we continue to ask customers how they use our data in order to build up greater understanding of their fitness for purpose.

More generally we have asked all of our users to tell us about the uses to which they put our statistics in two corporate documents - our User Engagement Strategy:

<http://www.communities.gov.uk/publications/corporate/statistics/engagementstrategystatistics>

Our Statistics Plan:

<http://www.communities.gov.uk/publications/corporate/statistics/plan201112>

This publication relates to England. Similar information for Wales and Scotland can be found at;

<http://wales.gov.uk/topics/statistics/theme/loc-gov/?lang=en>

<http://www.scotland.gov.uk/Topics/Statistics/Browse/Local-Government-Finance>

Responsible Statisticians:

Mike Young and Steve Melbourne

We welcome comments and suggestions for further improvement or about your experiences with this product. This may include comments on data quality, timing and the format of the statistics. In addition local authority level data are available upon request. Please contact us at:

lgfstats@communities.gsi.gov.uk

Telephone number: 030 344 44387

For specific contact telephone numbers, please refer to **Annex E**.

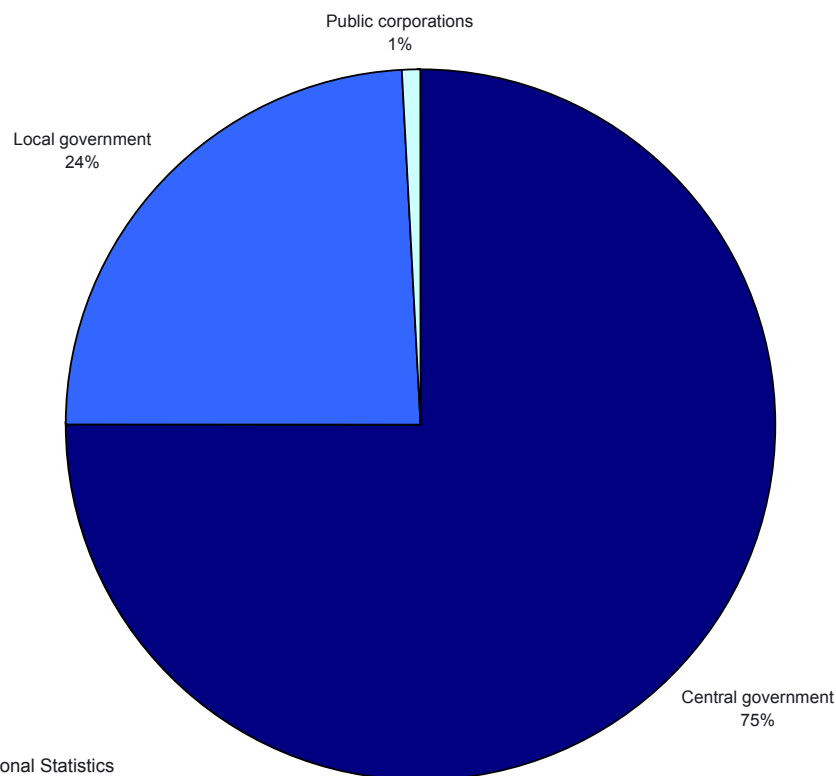
KEY TRENDS

Local government finance in England

K.1 Overview

- To set local government expenditure and income in context, local government accounts for 24% of the UK public sector's expenditure as a whole (see **section 1.5**).

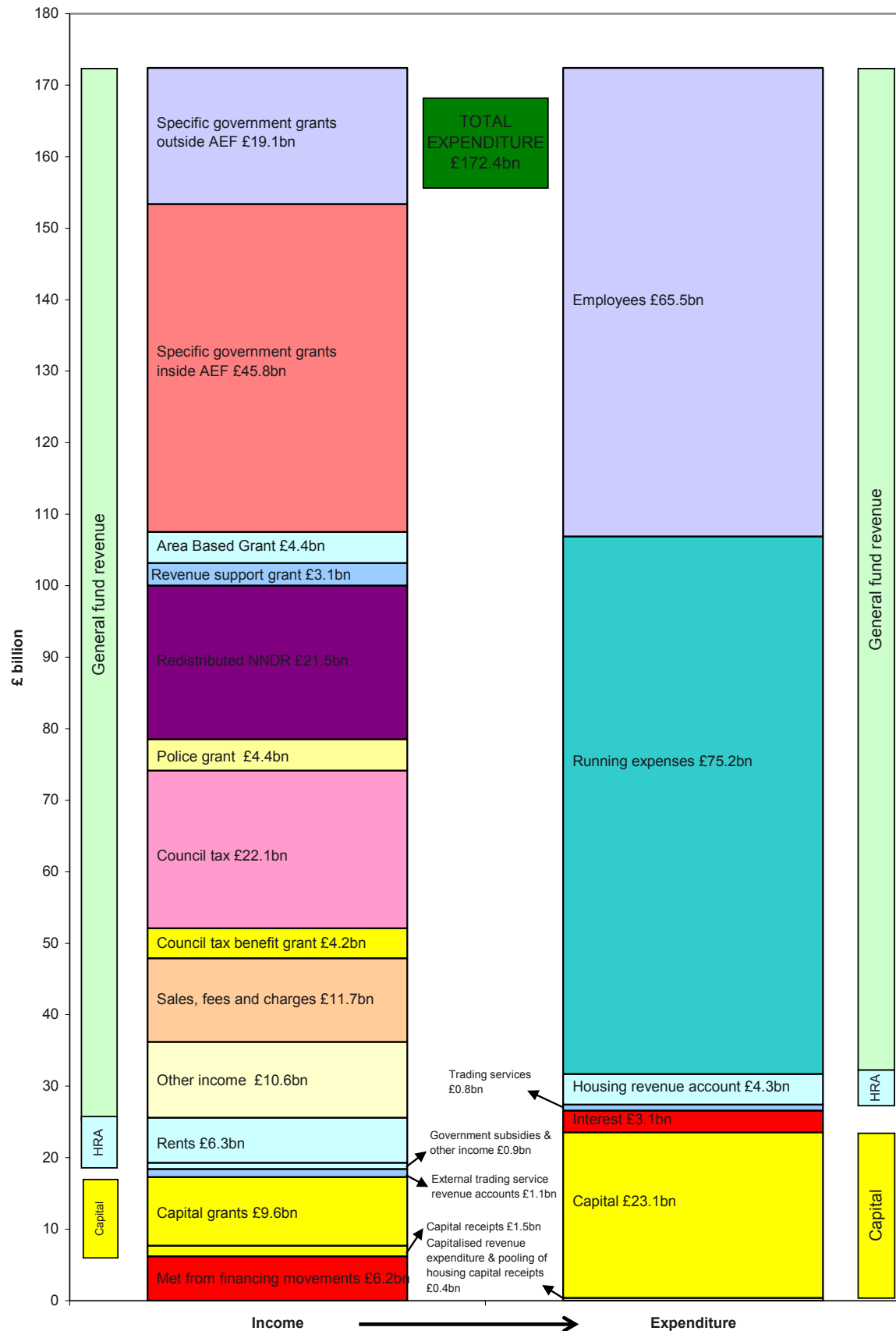
Chart K.1a: Local government expenditure in Total Managed Expenditure, UK 2010-11



Total managed expenditure has been derived using the National Accounts definition

- In England, local authorities' total expenditure was £172bn in 2010-11 compared with £168bn in 2009-10 and £160bn in 2008-09.
- After deducting non-grant income, the overall cost to the central and local taxpayer of local authority services is around £146bn, or £2,799 per head in 2010-11.

Chart K.1b: Local authority gross income and expenditure 2010-11

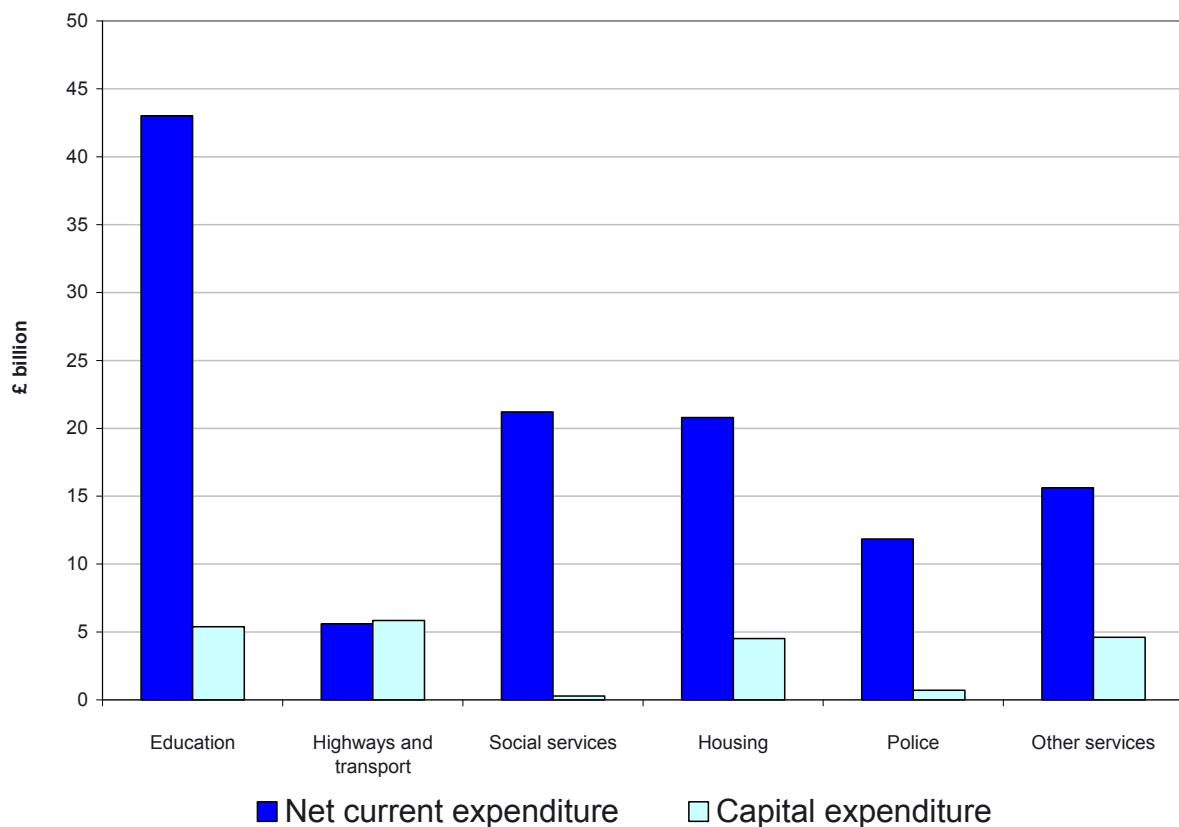


Total expenditure has been calculated as shown in table 1.6b

K.2 The pattern of spending

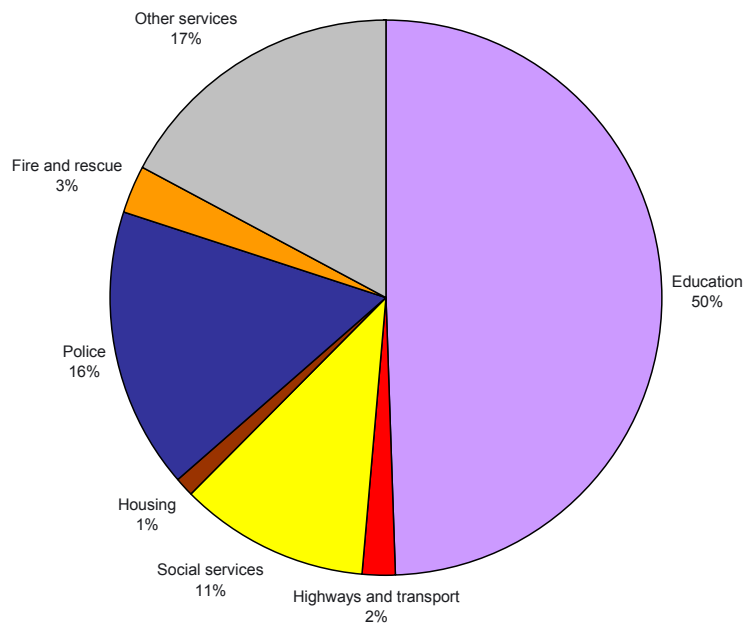
- In 2010-11, net current expenditure (see **section 3.2**) on general services was £121.3bn. Total capital expenditure was £23.1bn (see **section 4.2**).

Chart K.2a: Expenditure on services 2010-11



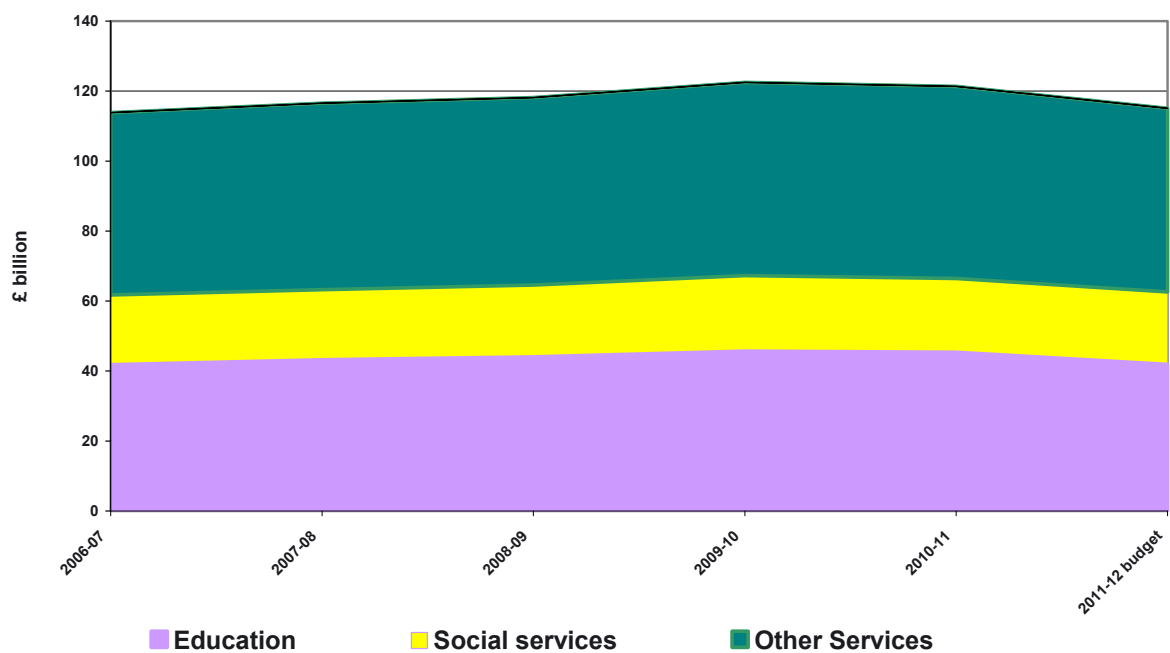
- Local government is collectively one of the largest employers in England, employing 1.7m full time equivalent staff (FTEs). The majority of these are in administration and other support services (see **section 6.3**). In 2010-11, local government employee expenditure accounted for 49% of all local government service expenditure (gross of income). (see **section 6.2**).

Chart K.2b: Employee expenditure by service 2010-11



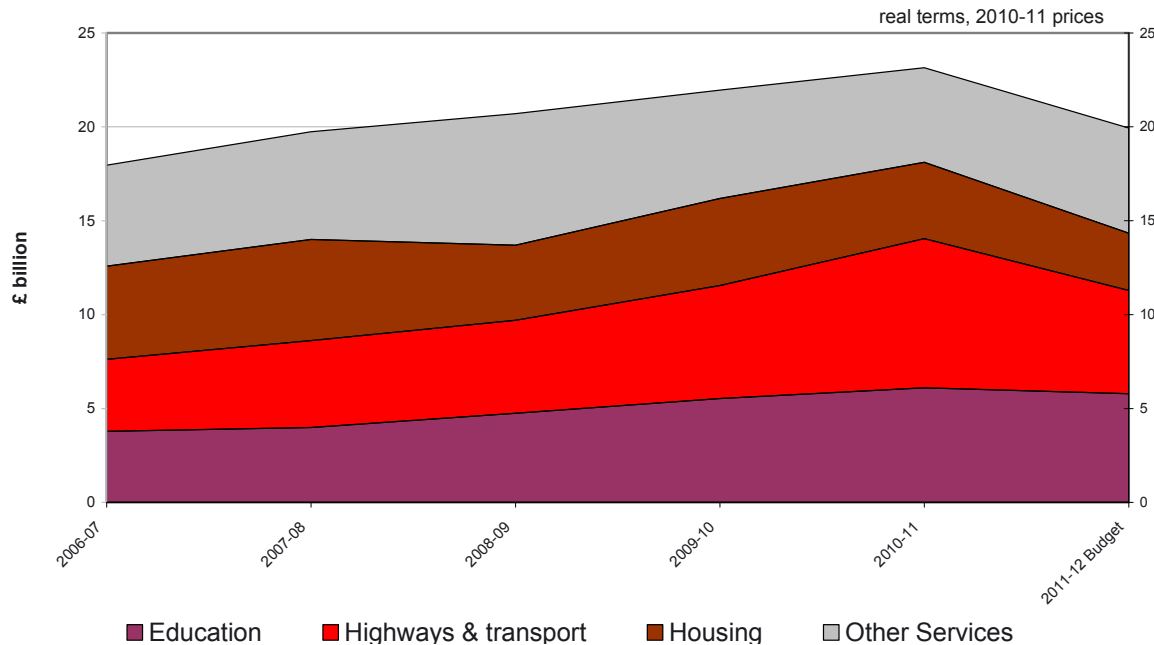
- Comparisons of service expenditure over time are affected by changes in local government responsibilities. Net current expenditure on education increased by 9% in real terms between 2006-07 and 2010-11. Other Services have increased by 5% over the same period, mainly due to a rise of 28% in non-HRA housing (see [section 3.2](#)).

Chart K.2c: Annual change in net current expenditure by service 2006-07 to 2011-12



- In real terms, capital spending increased by 29% between 2006-07 and 2010-11. During this period, capital expenditure on Transport has increased by 107% and on Education by 61%, while Housing has declined by 18% and Other Services by 6% (see **section 4.2**). These figures exclude the GLA (TfL) grant payment of £1.7bn in respect of Metronet in 2007-08.

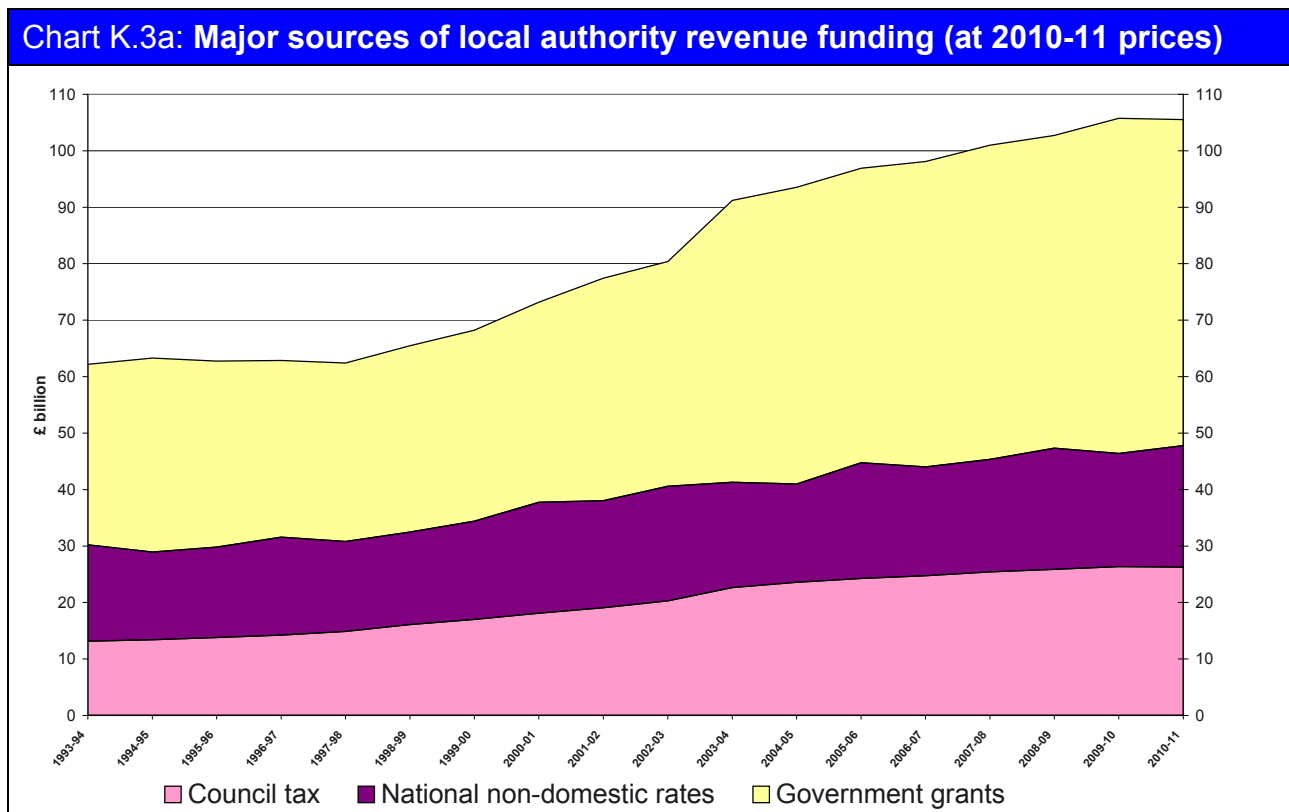
Chart K.2d: Total capital expenditure by service 2006-07 to 2011-12



Transport excludes GLA (TfL) grant payment of £1.7 billion in respect of Metronet in 2007-08

K.3 Balance of funding

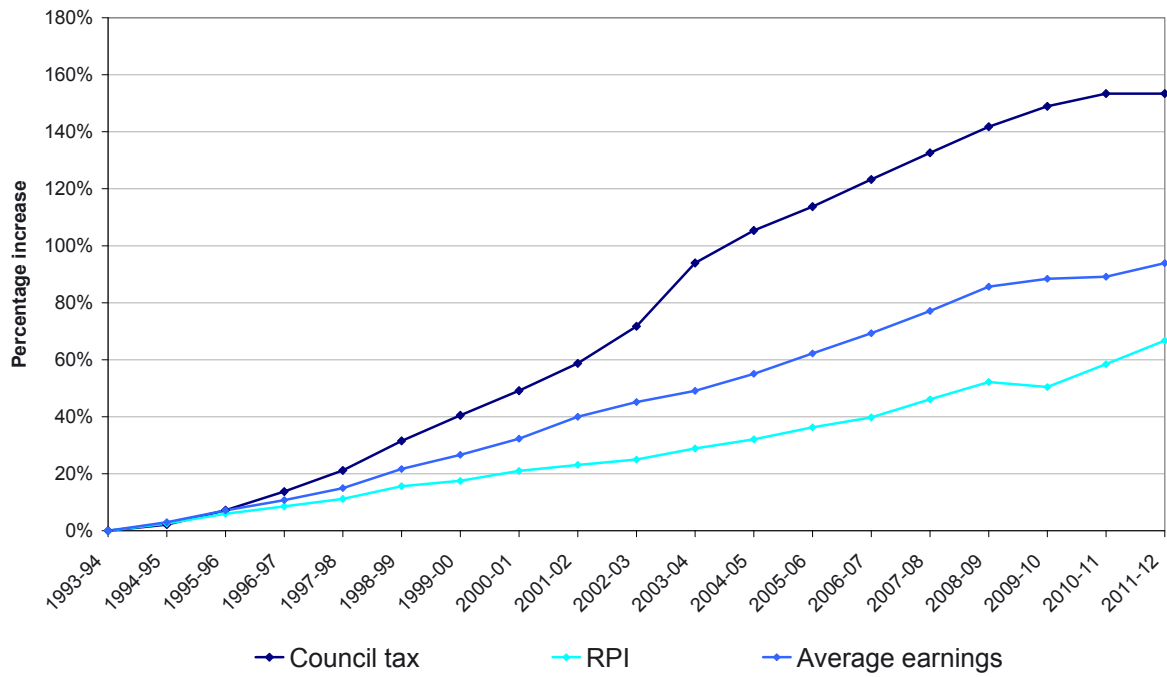
- About 65% of local authorities' total gross income in 2010-11 came from central government (including redistributed non-domestic rates, revenue and capital grants), and the remaining 35% from local sources, including council tax, charges, rents and capital receipts (see **section 2.1** for a full breakdown of local authority income).
- Using a narrower definition, 55% of revenue expenditure was funded from government grant in 2010-11, 25% from local taxes and 20% from redistributed non-domestic rates. The percentage of income funded from locally raised council tax has remained broadly stable since 1998-99 (see **section 3.2**).



K.4 Council tax

- Council tax requirement was £26.5bn in 2011-12, around £4.1bn of which was expected to be funded by council tax benefit. Since the introduction of council tax in 1993-94 average Band D council tax bills have increased by 153%, 2.3 times the rate of inflation (see section 2.2).

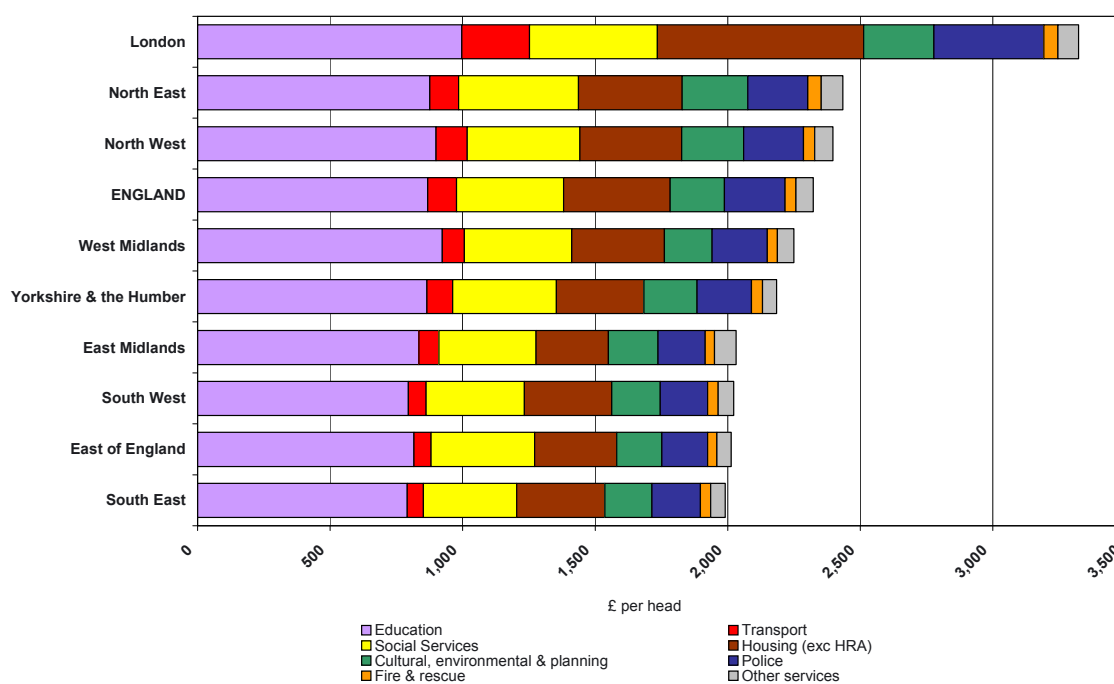
Chart K.4a: Cumulative increase in council tax, retail prices and average earnings since 1993-94



K.5 Regional variations

- In 2010-11, average revenue expenditure plus capital expenditure per head in England was £2,362. Of the English regions, London had the highest expenditure per head at £3,743, 42% above the average for revenue and 148% for capital. The South East had the lowest expenditure per head for revenue at 15% below the average, while the East Midlands were 36% below the average for capital expenditure (see **section 3.3** and **section 4.1**).
- Net current expenditure on services was around £2,322 per head in 2010-11. London's spend was 43% above the England average including 136% above average for transport, 82% above average for police and 93% above average for housing. The East of England, South East, South West and East Midlands were all 13-15% below the England average over all services. This was mainly due to the variations in levels of spending on the three services mentioned above.

Chart K.5a: Net current expenditure on services per head 2010-11



CHAPTER 1

Local government

1.0.1 This chapter provides an overview of the functions, structure and financial context of local government in England. It is divided into the following sections:

- **What is local government?** **section 1.1**
- **What local government does** **section 1.2**
- **How local government is structured** **section 1.3**
- **How big is local government?** **section 1.4**
- **Local government in the national context** **section 1.5**
- **How local government works financially** **section 1.6**
- **Local government accounting practice** **section 1.7**

1.1 What is local government?

- 1.1.1 Local government is one way in which the country's governance and administration is carried out, and its public services delivered. Two features distinguish local government from other local service providers – most local authorities are elected and most have the ability to raise taxes locally.
- 1.1.2 Local authorities are statutory bodies created by Acts of Parliament. They are not accountable to Parliament as they are directly elected by their local communities. Local government is a devolved responsibility in Scotland, Wales and Northern Ireland. Local authorities, their members and the administrative units supporting them have a number of objectives, amongst which are delivering national objectives locally using national and local resources to meet the diverse requirements of different neighbourhoods and communities.
- 1.1.3 The style and constitutional arrangements under which local government operates have changed and are still changing. Traditionally local government was about the delivery of a range of services. Over time, more and more of these services have been delivered by outside agencies and the role of local government has changed as a result.

1.2 What local government does

- 1.2.1 Local government delivers a wide range of services either directly through its employees, indirectly by employing others or by facilitating delivery by other bodies.

Table 1.2a: Services delivered by local government - England

Major service	Examples of what is delivered
Education	Maintained Schools – nursery, primary, secondary and special and services for them such as school meals, education welfare and support for those with special educational needs. Youth, adult, family and community education

Table 1.2a: Services delivered by local government - England	
Major service	Examples of what is delivered
Highways, Roads and Transport	Highways – construction and maintenance of non-trunk roads and bridges Street lighting Traffic management and road safety; new line parking services Public transport – concessionary fares, support to operators, co-ordination Airports, harbours and toll facilities
Social Care for Children and Adults	Children's and families' services – support; welfare; fostering; adoption Youth justice – secure accommodation; youth offender teams Services for older people – nursing, home, residential and day care; meals Services for people with a physical disability, sensory impairment, learning disabilities or mental health needs Asylum seekers Supported employment
Housing	Council housing (Housing Revenue Account) Housing strategy and advice; housing renewal Housing benefits; welfare services Homelessness
Cultural services	Culture and heritage – archives, museums and galleries; public entertainment Recreation and sport – sports development; indoor and outdoor sports and recreation facilities Open spaces – national and community parks; countryside; allotments Tourism – marketing and development; visitor information Libraries and information services
Environmental services	Cemetery, cremation and mortuary services Community safety, consumer protection, coast protection, trading standards Environmental health – food safety; pollution & pest control; housing standards; public conveniences; licensing Agricultural and fisheries services Waste collection and disposal; street cleansing
Planning and development	Building and development control Planning policy – including conservation and listed buildings Environmental initiatives Economic and community development
Protective services	Community Safety Services. Fire and rescue services Court services – coroners etc
Central and other services	Local tax collection Registration of births, deaths and marriages Elections – including registration of electors Emergency planning Local land charges Democratic representation Corporate management

1.3 How local government is structured

- 1.3.1 The structure of local government varies across the country and is mapped in **Annex A1**. **Map A1a** shows the shire counties, metropolitan districts, unitary authorities and boundaries

of the regions. The shire counties (upper tier authorities) are broken down into shire districts (lower tier authorities) shown on **Maps A1b to A1e**.

- 1.3.2 In London (**Map A1f**), most functions are delivered by the London boroughs and the City of London which are all lower tier authorities. The upper tier consists of the **Greater London Authority (GLA)** and its four functional bodies. The GLA itself comprises directly elected Mayor and a separately elected Assembly. The GLA group consists of the following four organisations:
- Metropolitan Police Authority (MPA)
 - London Fire and Emergency Planning Authority (LFEPA)
 - Transport for London (TfL)
 - London Development Agency (LDA).
- 1.3.3 In the six metropolitan areas (Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands and West Yorkshire), most services are run by metropolitan districts. However, fire and rescue, police, passenger transport and, in some cases waste disposal, are the responsibility of single purpose authorities as shown in **Maps A1g to A1i**.
- 1.3.4 In most of the rest of England, called the shire areas, there are two main tiers of local authorities: shire counties and shire districts. These have different responsibilities. However, in some parts of the country, shire county and shire district responsibilities are carried out by a single unitary authority. Prior to 1995, the Isles of Scilly was the only unitary authority. A further 46 of these authorities were created between 1 April 1995 and 1 April 1998, and 9 more were created on 1 April 2009: with the unitary authority in each case taking over both shire district and shire county functions for their area. Most unitary authorities did not take over responsibility for the fire and rescue service, so shire counties that were affected by the creation of unitary authorities also have a combined fire authority to administer these services in the old county area – see **Map A1g**. There is also a police authority for each constabulary which cover each metropolitan area and shire county (sometimes combinations of these) – see **Map A1h**. However, except for the City of London, police authorities will be abolished once Police and Crime Commissioners are in place in accordance with the Police Reform and Social Responsibility Act 2011. In Greater London (outside the City) this happened in January 2012 with the establishment of the Mayor's Office for Policing and Crime, which fulfils the same role as a Police and Crime Commissioner. Commissioners will be elected for the rest of England in November 2012.
- 1.3.5 The classification of inner and outer London Boroughs used by the Department for Communities and Local Government is that as defined in law by the London Government Act 1963, and the definition is used for purposes such as the local government finance system. The inner London boroughs correspond to the former London County Council area. The outer London boroughs correspond to areas transferred in 1965 for administrative purposes from the counties of Essex, Hertfordshire, Kent, Middlesex and Surrey.

- 1.3.6 The local government finance statistical data collected by the Department for Communities and Local Government are not only used to provide ministers with the most update to date information available on local government finance, but also to inform policy decisions. As long as the definition of inner and outer London boroughs used within the local government finance system is that as defined in law, it is both appropriate and consistent for our statistical data to follow the legal definition to correctly inform policy decisions, rather than follow the definition used by the Office for National Statistics (ONS).
- 1.3.7 Most information in this publication is supplied by the principal authorities mentioned above, plus the park authorities and waste authorities shown in **Map A1i**.
- 1.3.8 Information is not collected from the third tier of local government, the 9,920 parish councils (of which around 700 are quality parish and town councils) or the 1,000 parish meetings where there is no parish council. Further details on parish and town councils are given in **Annex A3**.
- 1.3.9 **Table 1.3a** shows the responsibilities for major services in the local authorities and **Annex A4** gives details of the main changes to local authority structure in recent years.

Table 1.3a: Local authority responsibility for major services in England										
	Metropolitan areas		Shire areas				London area			
	District councils	Single purpose authorities	Unitaries	County councils	District councils	Single purpose authorities	City of London	London boroughs	GLA	Single purpose authorities
Number of authorities	36	20	56	27	201	55	1	32	1	4
Education	√		√	√			√	√		
Highways ^(a)	√		√	√			√	√	√	
Transport planning	√		√	√			√	√	√	
Passenger transport		√	√	√					√	
Social care	√		√	√			√	√		
Housing	√		√		√		√	√		
Libraries	√		√	√			√	√		
Leisure and recreation	√		√		√		√	√		
Environmental health	√		√		√		√	√		
Waste collection	√		√		√		√	√		
Waste disposal ^(b)	√	√	√	√			√	√		√
Planning applications	√		√		√		√	√		
Strategic planning	√		√	√			√	√	√	
Police		√				√	√		√	
Fire and rescue ^(c)		√		√		√			√	
Local taxation	√		√		√		√	√		

- (a) Transport for London (TfL), a body of the Greater London Authority (GLA), is the highways authority for about 5% of London roads.
- (b) Waste disposal for some areas of London is carried out by separate waste disposal authorities. The GLA has strategic, but not operational, responsibility for municipal waste.
- (c) Combined fire authorities are responsible for fire and rescue services in the shire areas affected by reorganisation from April 1996. Cornwall UA, Isle of Wight, Northumberland and Isles of Scilly are the Unitary Authorities with responsibility for fire and rescue services.

The table excludes 11 park authorities in England – for the nine National Parks, The Broads and the Lee Valley Regional Park. These authorities have various powers and aims that straddle some of the normal functions of local government. In particular, park authorities have responsibility for planning and leisure functions.

1.4 How big is local government?

- 1.4.1 Local authorities in England spend around £148.9bn (revenue expenditure) a year and employ nearly 1.7m full time equivalent (FTE) staff.
- 1.4.2 Of all local authority employees over 0.4m FTEs work in education as teachers, almost 0.3m FTEs are employed on protection, law and order: police, fire, traffic wardens and police civilians, and almost 1.0m FTEs work in administration and other support services.
- 1.4.3 There are 20,992 elected councillors serving on 354 local authorities. A further 90 single purpose authorities do not have directly elected councillors.

Table 1.4a: Size of local government at 1 April 2011 - England

	Land area in hectares		Population mid-2010		Number of elected authorities	Number of councillors		Number of single purpose authorities	All authorities	
	million	%	million	%		number	%		number	%
Shire areas	12.2	93	32.8	63	284	15,731	75	65	349	79
Metropolitan areas	0.7	5	11.2	22	36	2,681	13	20	56	13
London	0.2	2	7.8	15	34	2,580	12	5	39	9
England	13.1	100	51.8	100	354	20,992	100	90	444	100

Source: ONS Regional Trends publication, ONS mid-year population estimates, LGA Census of Local Authority Councillors

- 1.4.4 In addition there are around 11,000 parish and town councils or parish meetings in England, which deal with very local issues close to their communities. This publication is not directly concerned with this tier of local government, but some further details are provided in **Annex A3**.

1.5 Local government in the national context

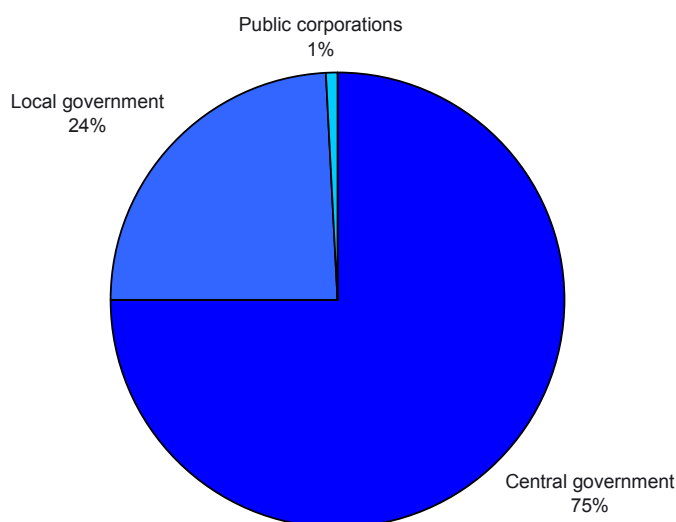
- 1.5.0 This section sets out local government's expenditure and income in the context of the public sector as a whole, local government's part in meeting HM Treasury's fiscal policy objectives, and the size of the local government sector in the UK economy as a whole.

LOCAL GOVERNMENT IN THE PUBLIC SECTOR

- 1.5.1 Local government is a part of the public sector, and local authorities' expenditure is part of public expenditure that pays for the delivery of public services. The main services funded by central government are the National Health Service, social benefits and pensions, defence, and higher and further education. The main services delivered by local government are primary and secondary education and social services.

- HM Treasury measures public expenditure using the aggregate *Total Managed Expenditure*. In the United Kingdom, local government expenditure is about a quarter of Total Managed Expenditure, and this proportion has changed little for many years.

Chart 1.5a: Local Government expenditure in Total Managed Expenditure, UK 2010-11



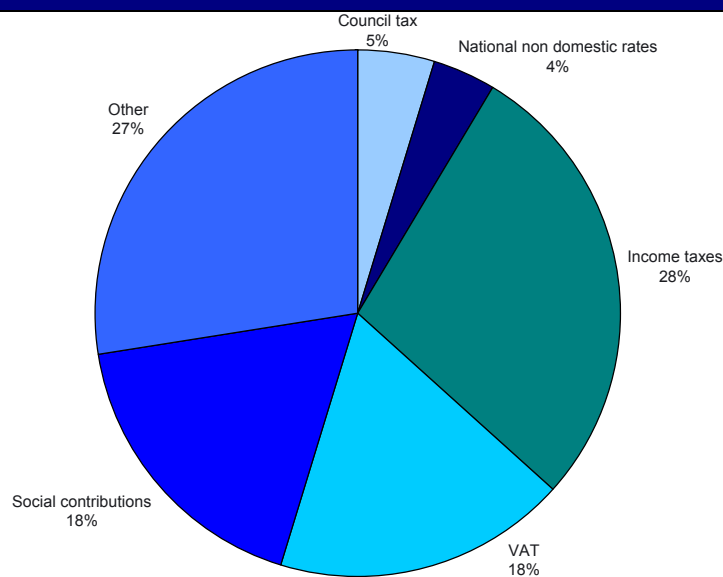
Source: Office for National Statistics

Total managed expenditure has been derived using the National Accounts definition

- 1.5.2 The data underlying **Chart 1.5a** can be found on the electronic version of this publication on the Department's website.
- 1.5.3 Government needs to raise revenue to pay for its expenditure. Some of the main sources of UK government income are:
- income taxes, including income tax, corporation tax and capital gains tax
 - Value Added Tax (VAT)
 - social contributions (mainly National Insurance).

- Council tax is about 5% of UK government revenue, though this figure excludes contributions paid by the Department of Work and Pensions (DWP) on behalf of Council Tax Benefit claimants.
- National non-domestic rates are about 4% of UK government revenue. In consequence, local government also needs funds from taxes raised centrally, provided in the form of grants, to pay for its expenditure.

Chart 1.5b: Council tax and national non-domestic rates in government receipts, UK 2010-11



Source: Office for National Statistics

1.5.4 The data underlying **Chart 1.5b** can be found on the electronic version of this publication on the Department's website.

LOCAL GOVERNMENT IN THE FISCAL POLICY FRAMEWORK

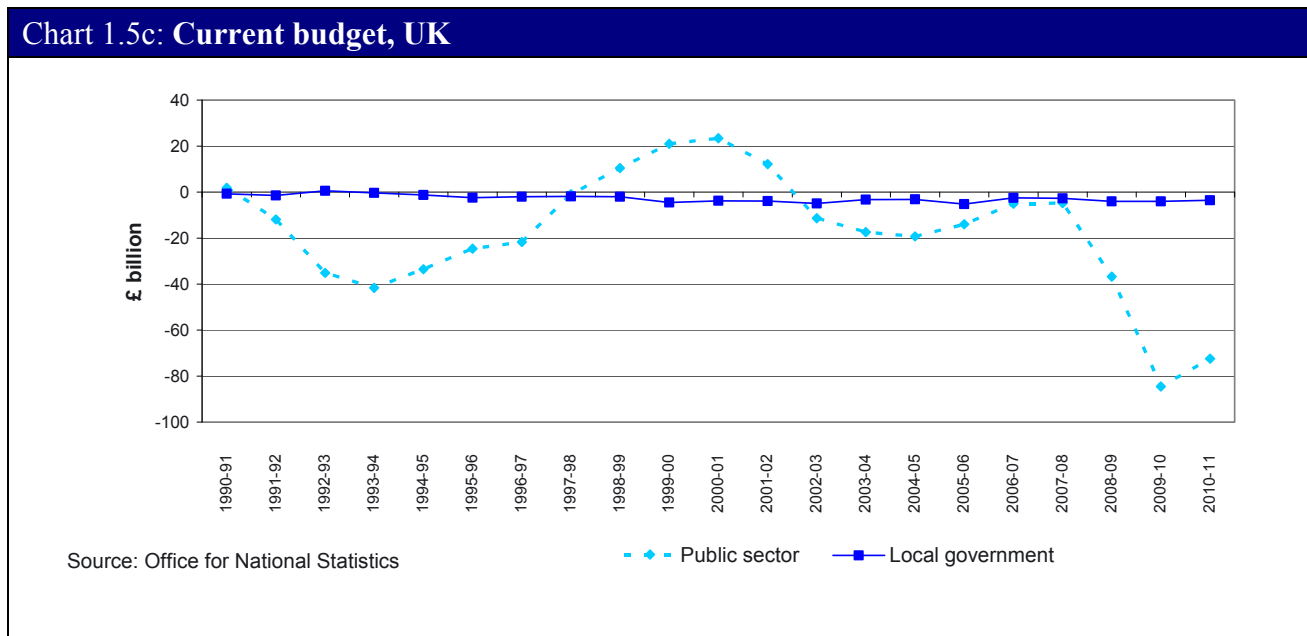
1.5.5 In November 2010 HM Treasury published a draft Charter for Budget Responsibility setting out the new government's fiscal policy framework. This stated that;

- The Treasury's objectives for fiscal policy are to ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider Government policy; and support and improve the effectiveness of monetary policy in stabilising economic fluctuations.
- The Treasury's mandate for fiscal policy for this Parliament, announced in the Budget on 22 June 2010, is a forward-looking target to achieve cyclically-adjusted current balance by the end of the rolling, five-year forecast period. At this time of rapidly rising debt, the Treasury's mandate for fiscal policy is supplemented by a target for public sector net debt as a percentage of GDP to be falling at a fixed date of 2015-16, ensuring the public finances are restored to a sustainable path.

1.5.6 The achievement of the fiscal mandate requires fiscal consolidation to reduce the scale of public sector borrowing. The greatest contribution to this consolidation is planned to come from public spending reductions, rather than tax increases. The October 2010 Spending Review settlement means that on average, central government funding to local authorities decreases by around 26 per cent over the next four years. Over this period local authorities' budgets are expected to decrease by around 14 per cent once the Office for Budget Responsibility's projections for council tax are taken into account.

1.5.7 The Local Government Finance Settlement, detailing grant allocations to individual authorities for 2011-12 and 2012-13, was announced in December 2010. The average reduction in overall spending power for local authorities (excluding police authorities outside London) was 4.5% in 2011-12 and 3.3% in 2012-13. A transitional grant was introduced to ensure that no authority faces more than an 8.8% reduction in spending power in either 2011-12 or 2012-13.

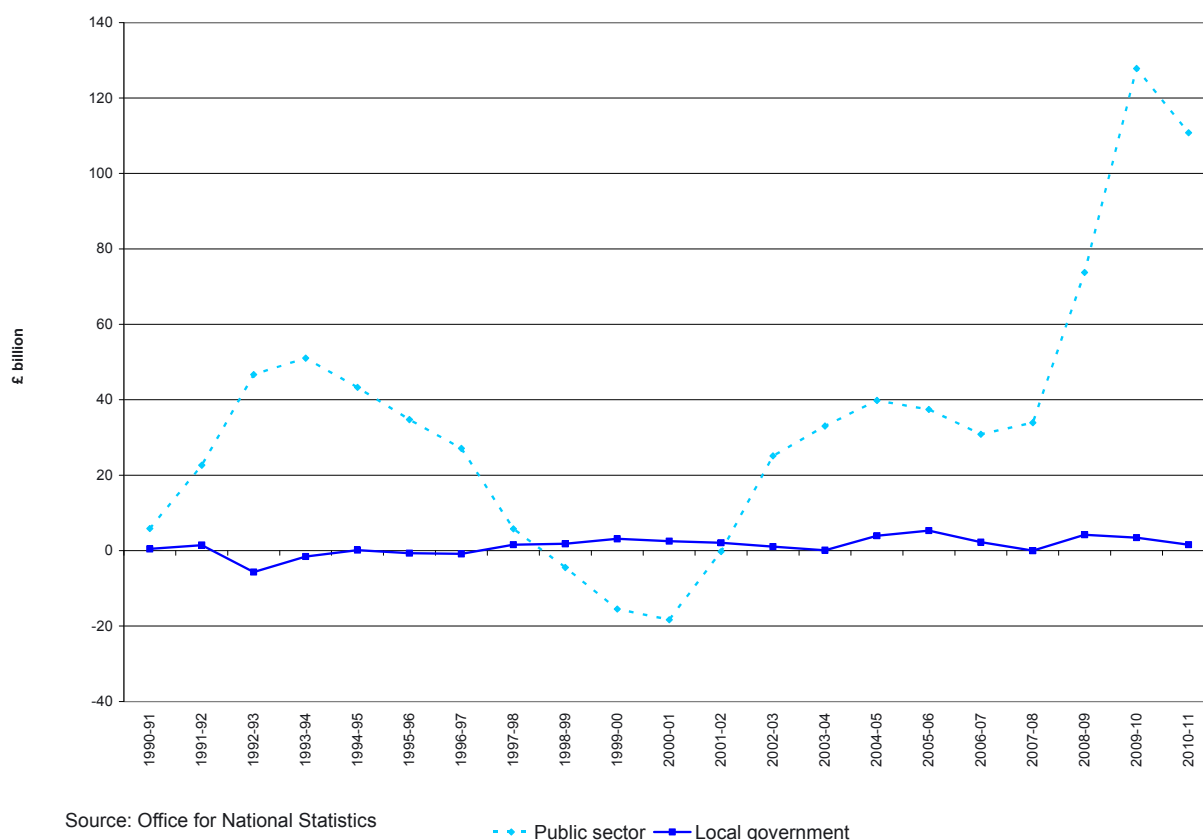
- From 1990-91 to 2010-11 the Local Government Current Budget has stayed close to balance. This is a consequence of the local government revenue finance system, which requires revenue expenditure and movements in reserves to be financed from council tax, redistributed national non-domestic rates, and government grants.



1.5.8 The data underlying **Chart 1.5c** can be found on the electronic version of this publication on the Department's website.

1.5.9 **Public sector net borrowing** is also used to show the overall financial position of the public sector: this measure includes revenue expenditure and capital expenditure. Local Government Net Borrowing is a subset of total Public Sector Net Borrowing.

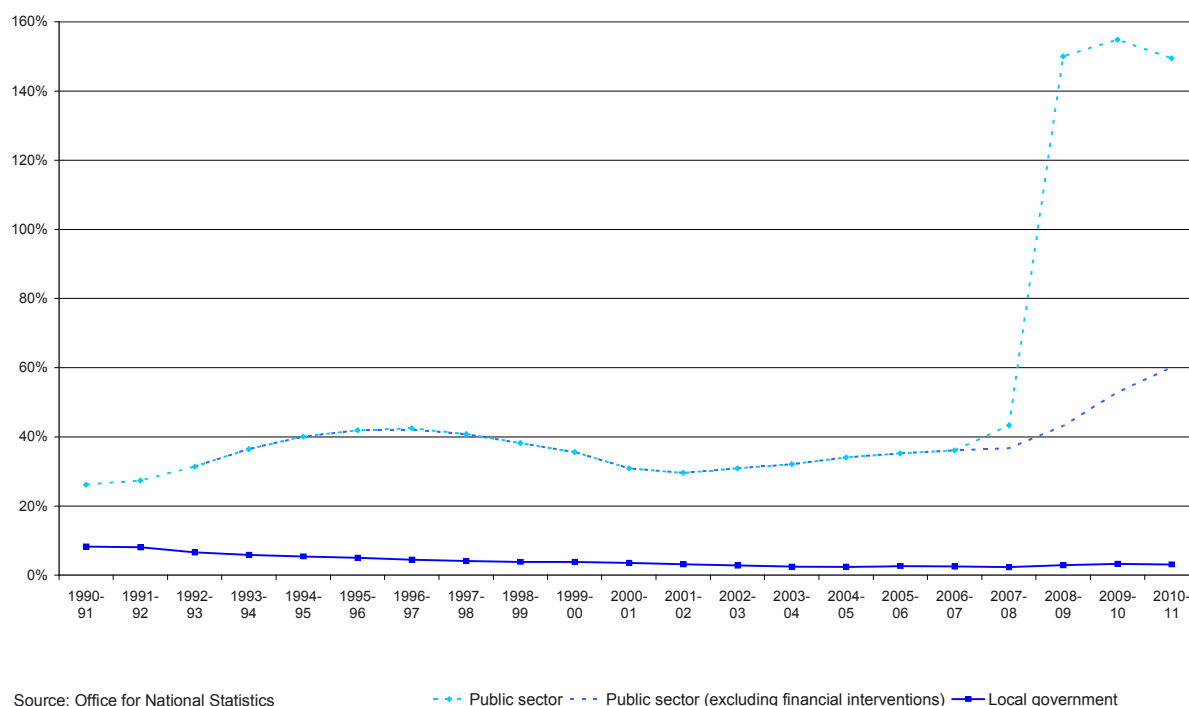
Chart 1.5d: Net borrowing, UK



1.5.10 The data underlying **Chart 1.5d** can be found on the electronic version of this publication on the Department's website.

- *Local Government Net Debt* has fallen from 8% of GDP at 31 March 1991 to 3% of GDP at 31 March 2011. This partly reflects increased financial investments of capital receipts by local authorities, which reduce net debt.

Chart 1.5e: Net debt as percentage of GDP, UK



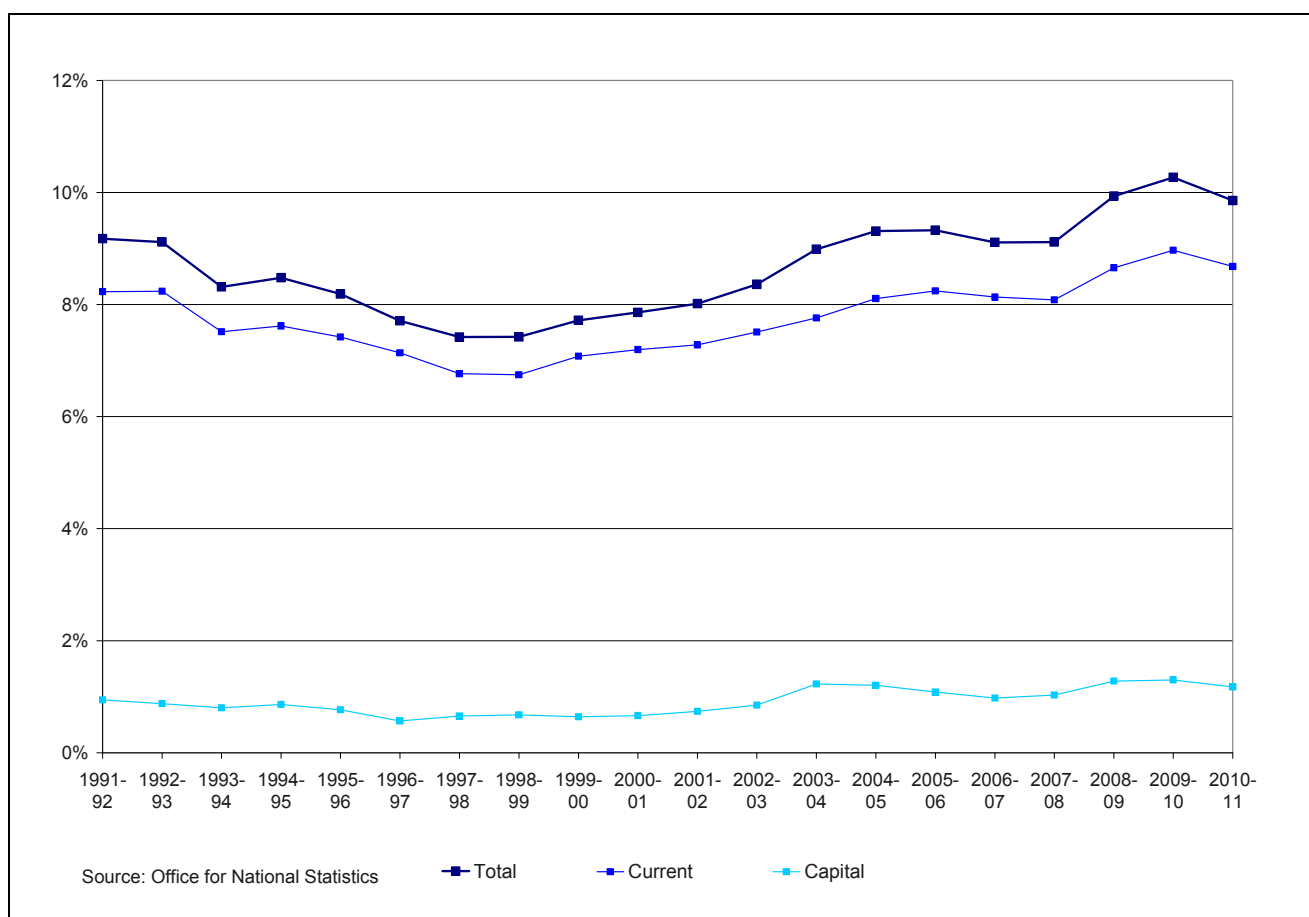
1.5.11 The data underlying **Chart 1.5e** can be found on the electronic version of this publication on the Department's website.

LOCAL GOVERNMENT IN THE UK ECONOMY

1.5.12 Local government expenditure can also be compared to total domestic expenditure in the UK economy, as defined in the National Accounts. This also includes central government expenditure, final expenditure by households, and capital expenditure by all sectors of the economy.

- In 2010-11, local government's share of all domestic expenditure was 9.9%; a decrease compared to 10.3% in 2009-10.
- Over the last 20 years the share was at its lowest in 1997-98, at 7.4%.

Chart 1.5f: Local government expenditure as a percentage of domestic expenditure - England



1.5.13 The data underlying **Chart 1.5f** can be found on the electronic version of this publication on the Department's website.

1.6 How local government works financially

1.6.1 Local authority spending can be divided into **revenue expenditure** and **capital expenditure**. On the whole, revenue expenditure is financed through a balance of central government grant including redistributed **non-domestic rates** and the locally raised **council tax** (see **Chapter 2**). Capital expenditure is principally financed through central government grant, borrowing and capital receipts (see **Chapter 4**).

1.6.2 Local authorities are required by law:

- to secure the necessary funds to finance their operations
- to provide an accurate account of where the money goes
- to provide accounts which balance

1.6.3 Not all the local authorities counted in **Table 1.4a** are allowed to collect money directly through council tax. Those which can are called billing authorities. Others receive funds indirectly either by precepting on a **billing authority** or by other channels.

- Of the 444 local authorities in England, 326 are billing authorities, who raise money via council tax, and 95 are major precepting authorities. Altogether these 421 authorities are known collectively as 'receiving authorities' because they receive revenue support grant.

Table 1.6a: Billing, major precepting and other authorities at 1 April 2011 - England				
	Billing authorities	Major precepting authorities ^(a)	Other authorities ^(b)	All authorities
Shire areas	257	82	10	349
Metropolitan areas	36	12	8	56
London	33	1	5	39
England	326	95	23	444
(a) The count of precepting authorities excludes parish councils.				
(b) Other authorities are parks, waste and passenger transport authorities				

1.6.4 **Table 1.6b** shows the revenue and capital accounts in order to calculate a figure for local government expenditure and income. Transfers between the accounts are eliminated to avoid any double counting of expenditure or income.

1.6.5 The revenue accounts included are:

- **General Fund Revenue Account (GFRA)**
- **Housing Revenue Account (HRA)**
- external **Trading Services Revenue Account (TSR)**

1.6.6 Pension funds in the Local Government Pension Scheme are excluded: the actuarial reserves of the pension funds are owned by the fund members and these are part of the financial corporations sector in the National Accounts, not part of the local government sector. This information is given separately in **Table 7.2a** and **Table 7.2d**. Companies owned by local authorities are also excluded.

1.6.7 Where possible, the tables in this chapter eliminate double counting of flows of money. There are three types of such flows:

- (i) *Between services within the same account.* The most significant flow or recharge of this kind is from general administration to other services and also recharges within general administration.
- (ii) *Between accounts of the same authority.* For example, contributions by the General Fund Revenue Account to the Housing Revenue Account
- (iii) *Between authorities.* This occurs when an authority pays another authority for goods and services it provides (for example, payments to other local education authorities in respect of pupils educated outside their area of residence - education recoupment).

The most significant of these flows can be identified and eliminated but some cannot, such as recharges made by services other than general administration and some payments and receipts between authorities.

1.6.8 There are several different measures of expenditure. The measures used here exclude payments of rent rebates to tenants and payments of council tax benefit. These payments have been excluded because their purpose is to *finance* local authority expenditure rather than to increase it.

Table 1.6b: Summary of expenditure and income (excluding double counting of flows) 2008-09 to 2010-11 - ENGLAND

EXPENDITURE	2008-09	2009-10	2010-11	£ million
				Table refs
General fund revenue account				
Employees	62,858	65,519	65,534	3.4a
Running expenses	72,998	79,866	80,330	3.2c
less expenditure at (1) below	-5,102	-6,943	-5,370	
Pension FRS17 adjustment ^(a)	647	-	-	C2a
Housing revenue account				
Supervision, management, repairs and other expenditure	4,358	4,326	4,278	3.8e
External trading services revenue account				
Employees	156	155	152	C1g
Running expenses	672	731	686	C1g
less expenditure at (2) below	-	18	-	
External interest payments (all accounts)	2,947	2,724	3,060	C2a
Total all revenue account expenditure ^(b)	139,534	 146,395	148,670	
Capital account ^(c)				
Total capital expenditure	19,801	21,362	23,146	4.2a
Capitalised revenue expenditure ^(d)	432	464 (R)	239	4.2a
Pooling of housing capital receipts ^(e)	153	117	154	4.6e
TOTAL EXPENDITURE	159,920	 168,338 (R)	172,209	
Double accounting adjustments (as numbered above)				
EXPENDITURE				
(1)				
Net contribution to Housing Revenue Account (HRA)	13	8	9	C2a
Net contribution to Trading Services Revenue (TSR) accounts	273	-10	-40	C2a
Recharges to other accounts	747	859	931	C1f
Rent rebates to HRA tenants	3,622	3,775	3,953	C2a
Payments to other local authorities ^(f)	447	482	518	C1h
Revenue expenditure funded from capital by statute (RECS) - excluding trading (TSR) ^(g)	-	1,830	-	C2a
(2)				
Revenue expenditure funded from capital by statute (RECS) - trading (TSR) only ^(g)	-	18	-	C2a
<p>(a) Defined as the difference between line 787 and line 817 on the Revenue Summary Outturn in table C2a. From 2009-10 the figures above were calculated on a non-FRS17 basis so no adjustments were necessary.</p> <p>(b) Excluding double counting of flows between revenue accounts and capital financing except external interest payments.</p> <p>(c) Payments of fixed assets, payments on grants and advances, acquisition of share or loan capital, credit cover required for leases and credit cover required for other credit arrangements.</p> <p>(d) Comprises capitalised revenue expenditure under section 16(2)(b) of the Local Government Act 2003 and LSVT (Large Scale Voluntary Transfer) levy.</p> <p>(e) Payments to the Secretary of State under regulations 12 and 13 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.</p> <p>(f) Comprises income/expenditure in respect of students educated by another local education authority (inter-authority education recoupment).</p> <p>(g) Running expenses estimates for 2009-10 are not fully comparable to previous years due to revenue expenditure from capital by statute (RECS).</p>				

Table 1.6b: Summary of expenditure and income (excluding double counting of flows) 2008-09 to 2010-11 - England

INCOME	2008-09	2009-10	2010-11	£ million
				Table refs
General fund revenue account				
Specific government grants outside AEF ^(h)	15,014	17,064 (R)	19,064	2.1a
Specific government grants inside AEF	42,920	45,639 (R)	45,829	2.1a
Area Based Grant	3,050	3,314	4,363	2.1a
Revenue Support Grant	2,854	4,501	3,122	3.2a
Redistributed NNDR	20,506	19,515	21,517	3.2a
Police Grant	4,136	4,253	4,374	3.2a
General GLA grant	48	48	48	3.2a
Council tax ⁽ⁱ⁾	21,231	21,567	22,070	C2a/C2b
Council tax benefit grant	3,528	4,066	4,184	C2b
Sales, fees and charges	11,607	11,929	11,694	3.2c
Other income	11,110	12,039	12,652	3.2c
less income at (3) below	-1,194	-1,341	-1,448	
Housing revenue account				
Rents	6,219	6,326	6,317	3.8e
Government subsidies	-235	-134	-494	3.8e
Other income	921	1,339	1,368	3.8e
External trading service revenue accounts				
Sales, fees and charges	965	923	902	C1g
Other income	174	235	228	C1g
External interest receipts (all accounts)	1,926	778	663	C2a
Total revenue income	144,780	152,062 (R)	156,453	
Capital account				
Government grants ^(j)	5,733	7,494	8,063	4.4a
Other grants and contributions	1,978	1,266	1,529	4.4a
Capital receipts ^(k)	1,353	1,427 (R)	1,498	4.6a
Total capital income	9,064	10,188 (R)	11,090	
TOTAL INCOME	153,844	162,250 (R)	167,543	
LESS TOTAL EXPENDITURE	-159,920	 -168,338 (R)	-172,209	
AMOUNT TO BE MET FROM FINANCING MOVEMENTS	-6,076	 -6,088 (R)	-4,666	
Financing Movements				
Overhanging debt on housing sold, repaid by DCLG	1,145 (R)	297 (R)	843	
Increase in borrowing	1,190	820	1,982	5.3a
less increase in investments ^(l)	3,463 (R)	4,498 (R)	-652	5.3a
Implied accruals and timing adjustments ^(m)	278 (R)	472 (R)	2,493	
Total Financing Movements	6,076 (R)	6,088 (R)	4,666	
Double accounting adjustments (as numbered above)				
INCOME				
(3)				
Recharges to other accounts	747	859	931	C1f
Receipts from other local authorities ^(f)	447	482	518	C1h
<p>(h) Excludes council tax benefit grant and rent rebates granted to HRA tenants.</p> <p>(i) Council tax due to be paid into the collection fund net of council tax benefit.</p> <p>(k) Capital receipts comprise disposal of tangible fixed assets, intangible assets, leasing disposals, repayments of grants, loans and advances, disposal of share and loan capital and disposal of other investments.</p> <p>(l) Increase in local authority investments excluding inter-authority investments.</p> <p>(m) The balancing item is the difference between the expenditure and income account and includes, amongst other items, unresolved inconsistencies between data sources, movements in cash balances and timing adjustments.</p>				

1.7 Local government accounting practice

- 1.7.1 The principal statements of the accounting practices applicable to local authority accounts are:
- ***The Code of Practice on Local Authority Accounting in the United Kingdom*** This is a comprehensive statement of the structure of local authority statements of accounts, and the accounting concepts, accounting policies and estimation techniques to be applied in preparing them
 - ***Service Reporting Code of Practice – SERCOP*** This sets out a mandatory service expenditure analysis for local authorities and a definition of Total Cost to be used in reporting service expenditure, together with a recommended standard subjective analysis.
- 1.7.2 Both documents are published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and are available for sale on the CIPFA website at www.cipfa.org.uk. New editions are issued regularly, usually annually.
- 1.7.3 Both Codes are given statutory backing as “proper practices” by regulations under section 21 of the Local Government Act 2003. Various other statutory provisions also affect the preparation of local authority accounts. The form and content of some important accounts, such as the **Housing Revenue Account** and the **Collection Fund**, are closely regulated by legislation. Section 21 of the 2003 Act states that where there is any conflict between provisions in legislation and the requirements of the two Codes, then the legislation prevails. In practice conflict is avoided by drafting the Codes to conform to legislation.
- 1.7.4 With effect from the 2010-11 financial year the Code of Practice on Local Authority Accounting (“the Accounting Code”) is based primarily on International Financial Reporting Standards (IFRS) as adopted by the European Union, though account can also be taken of International Public Sector Accounting Standards and standards issued by the UK Accounting Standards Board. The standards can be adapted as necessary for the public sector context. Until 2001 the international standards were issued as International Accounting Standards (IAS); since then they have been issued as International Financial Reporting Standards (IFRS)
- 1.7.5 The Accounting Code is prepared by the CIPFA/LASAAC Local Authority Accounting Code Board, a standing committee of CIPFA and the Local Authority (Scotland) Accounts Advisory Committee. Before finalisation the Code is reviewed by the Financial Reporting Advisory Board (FRAB), a body that reports to Parliament and also reviews the accounting codes for central government, the devolved administrations and other bodies including the National Health Service. Based on its review the FRAB issues a statement stating its conclusion on whether the Code is consistent with International Financial Reporting Standards as applied by the central government Financial Reporting Manual.
- 1.7.6 For years up to and including 2009-10 the Accounting Code was based on UK financial reporting standards and had the status of a “Statement of Recommended Practice” in the UK Accounting Standard Board’s hierarchy of standards and statements. The subsequent move to international standards was in line with changes being made in the rest of the UK public sector.

CHAPTER 2

How is the money found?

2.0.1 This chapter describes the main sources of income for local government in England. It is divided into the following sections:

- | | |
|--|--------------------|
| • Summary of sources of local government income | section 2.1 |
| • Council tax | section 2.2 |
| • Non-domestic rates | section 2.3 |
| • Revenue grants | section 2.4 |
| • Sales, fees and charges | section 2.5 |

2.0.2 Further information can be found in **Annex B – Council tax exemptions**, available online.

2.1 Summary of sources of local government income

2.1.1 The main sources of income for local government in England are:

- council tax
- redistributed non-domestic rates
- other government grants (including specific government grants)
- borrowing and investments
- interest receipts
- capital receipts
- sales, fees and charges; and
- council rents

- Total local government income increased from £140.5bn in 2006-07 to £166.2bn in 2010-11.
- 65% of the total local government income received in 2010-11 was in the form of government grants.

Table 2.1a: Summary of local authority income 2006-07 to 2010-11

	2006-07	2007-08	2008-09	2009-10	£ million 2010-11
Grant income:					
Revenue Support Grant ^(a)	3,378	3,105	2,854	4,501	3,122
Redistributed non-domestic rates	17,506	18,506	20,506	19,515	21,517
Police Grant	3,936	4,028	4,136	4,253	4,374
Specific and special grants inside Aggregate External Finance (AEF) ^(a)	41,741	44,485	42,920	45,639 (R)	45,828
Area Based Grant	3,050	3,314	4,363
Other grants inside AEF ^(b)	38	38	48	48	48
Grants outside AEF ^(c)	12,999	14,112	15,014	17,064 (R)	19,064
Housing subsidy ^(d)	150	11	-235	-134	-494
Grants towards capital expenditure	5,427	9,027	7,711	8,761	9,592
Total grant income	85,174	93,312	96,004	102,961 (R)	107,414
Locally-funded income:					
Council tax ^(e)	22,453	23,608	24,759	25,633	26,254
External interest receipts	1,481	1,862	1,926	778	663
Capital receipts	3,671	3,992	1,353	1,427	1,498
Sales, fees and charges	11,495	11,884	12,573 (R)	12,852	12,597
Council rents	6,240	6,265	6,219	6,326	6,317
Total locally-funded income	45,339	47,612	46,830 (R)	47,017	47,328
Other income and adjustments	10,029	10,932	11,079	12,272	12,800
Total income	140,542	151,857	153,866	162,658	167,543
Grants as a percentage of total income	61%	61%	62%	63% (R)	64%

Sources: Tables 1.6b, 2.4a, 3.5a, C2b-C2d

(a) Comparisons across years may not be valid owing to changing local authority responsibilities and methods of funding.

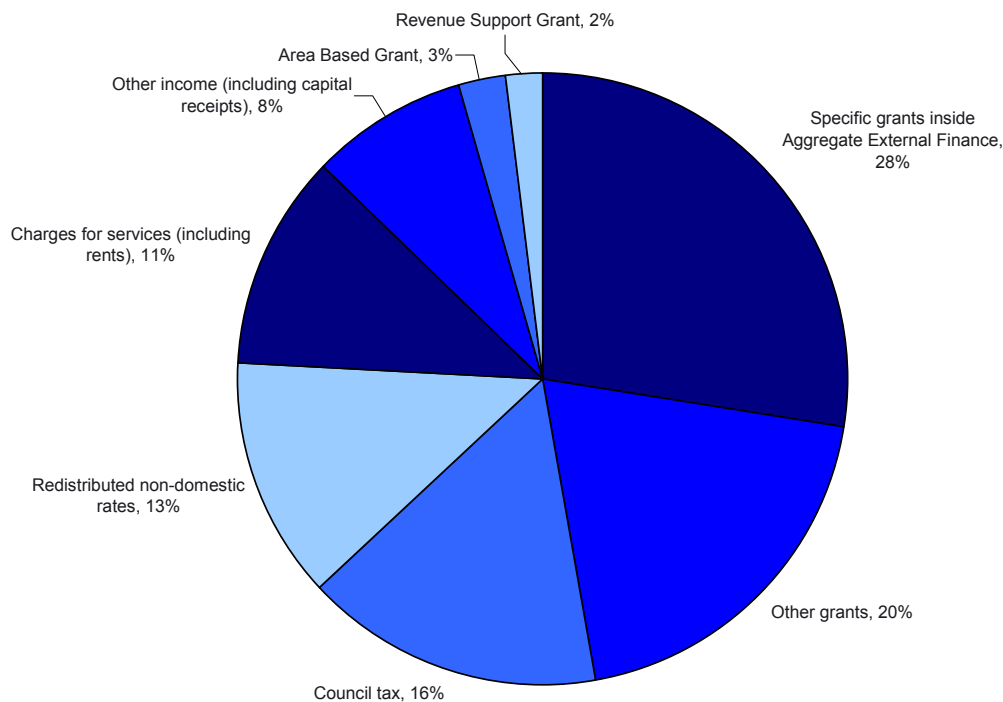
(b) Includes Standard Spending Assessment Reduction Grant, Central Support Protection Grant, City of London offset, Transitional Reduction Scheme Grant and General GLA Grant.

(c) Excludes council tax benefit grant and rent rebates granted to HRA tenants.

(d) This has decreased due to interest income from Housing Revenue Account increasing substantially as a result the government subsidy amount dropped (see 3.8e).

(e) Includes council taxes financed from Council Tax Benefit Grant but excludes council taxes financed from local authority contributions to council tax benefit.

Chart 2.1b: Local authority income by source 2010-11



2.1.2 The remainder of this chapter provides more information on council tax, non-domestic rates, grants and sales, fees and charges. Further information on other sources of income can be found in the following chapters:

- **Council rents and other Housing Revenue Account income** - Chapter 3
- **Capital grants and capital receipts** - Chapter 4
- **Borrowing and investments** - Chapter 5

2.1.3 In addition, local authority pension funds had a total income of approximately £11.5bn in 2010-11. However, this falls outside the usual definition of local authority income. Further information is provided in **Chapter 7**.

2.2 Council tax

2.2.1 Council tax was introduced on 1 April 1993. It replaced the **community charge** (poll tax) which, in turn, replaced domestic rates on 1 April 1990.

2.2.2 Council tax is the main source of locally-raised income for many local authorities. It is, therefore, an important source of funding used for meeting the difference between the amount a local authority wishes to spend and the amount it receives from other sources, such as government grants.

- 2.2.3 The impact on council tax of increasing budgeted revenue expenditure varies widely between local authorities. This effect, known as **gearing**, can be thought of as a balance of funding between that part of revenue expenditure to be met through council tax and the part met through other sources. As such it is also often used to measure the ratio of the percentage by which an authority would need to raise its council tax requirement to finance a given percentage change in revenue spending and the percentage change in revenue spending that it is financing. However, this is an imprecise measure because council tax is not the only local source for additional financing of revenue spending. It can also be open to an authority to draw on its available revenue reserves or to extend its use of charging.
- 2.2.4 One way of calculating a gearing ratio is to compare revenue expenditure with council tax requirement. **Table 2.2a** shows the gearing ratios calculated in this way for each class of authority from 2006-07 through to 2011-12.

Table 2.2a: Ratio of revenue expenditure and council tax by class

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (B)
Inner London boroughs ^(a)	6.3	6.2	6.4	6.7	6.6	6.4
Outer London boroughs	4.1	4.1	4.2	4.2	4.3	4.2
Greater London Authority ^(b)	6.8	6.9	6.8	8.0	7.9	7.0
Metropolitan districts	4.9	4.9	5.0	5.0	5.0	4.8
Metropolitan police authorities	6.8	6.8	6.7	6.6	6.4	6.2
Metropolitan fire and rescue authorities	2.9	2.9	2.9	2.8	2.7	2.7
Shire unitary authorities	4.1	4.1	4.2	3.9	3.9	3.7
Shire counties	3.2	3.2	3.3	3.3	3.2	3.2
Shire districts	2.4	2.4	2.4	2.3	2.2	2.0
Shire police authorities	3.5	3.4	3.3	3.3	3.2	3.2
Shire fire and rescue authorities	1.9	1.9	1.9	1.9	1.8	1.8
England	3.9	3.9	4.0	4.0	4.0	3.9

Source: RO returns for 2006-07 to 2010-11 and RA returns for 2011-12

All Figures are on a non International Accounting Standard 19 (non-IAS19)/non Financial Reporting Standard 17 (non-FRS17) basis.

(a) Includes City of London.

(b) The large increase from 2008-09 to 2009-10 was due to an increased transport grant (Capital Expenditure charged to the Revenue Account; CERA)

- 2.2.5 **Table 2.2b** shows the distribution of the ratio of revenue expenditure and council tax by class of authority in 2010-11.

- For a majority of London boroughs and metropolitan districts, their revenue expenditure is three or more times greater than their council tax requirement; for most shire districts (approximately 86%) their revenue expenditure is less than 3 times their council tax requirement.

Table 2.2b: Ratio of revenue expenditure and council tax by class of authority 2010-11

Band	Number of Authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
less than 2	0	0	0	0	67	18	85
2 up to 2.5	1	0	0	0	74	7	82
2.5 up to 3	1	0	6	7	35	17	66
3 up to 4	8	4	22	20	21	14	89
4 up to 5	7	19	17	0	4	5	52
5 and above	16	13	11	0	0	7	47
Total	33	36	56	27	201	68	421

Source: RO returns

Figures are on a non International Accounting Standard 19 (non-IAS19) basis.

2.2.6 **Table 2.2c** gives national totals for the council tax requirement budgeted for each year since 2006-07. It shows how the amounts were derived when setting budgets, and how they changed during the course of each year, for example by council tax becoming due from new properties that had not been included in the budget calculations. The table also includes figures for **Council Tax Benefit**, which is a means-assessed social security benefit.

Table 2.2c: Council tax budgets and outturn

	2006-07	2007-08	2008-09 ^(a)	2009-10 ^(a)	2010-11 ^(a)	£ million 2011-12 (B)
As budgeted:						
Council tax requirement	22,453	23,608	24,759	25,633	26,254	26,451
Council tax benefit	3,386	3,583	3,658	4,039	4,441	4,342
Net council tax income	19,104	20,025	21,101	21,594	21,813	22,109
Outturn figures:						
Gross council tax due	22,939	24,080	25,230	26,162	26,825	-
Council tax benefit	3,385	3,471	3,672	4,091	4,299	-
Net collectable debit	19,554	20,609	21,558	22,071	22,526	-
Gross council tax due as a % of budgeted gross income	102.2	102.0	101.9	102.1	102.2	-
Net collectable debit as a % of budgeted net income	102.4	102.9	102.2	102.2	103.3	-

Source: BR1, BR2, BR3, RA and QRC4 returns and DWP

(a) Amounts shown are after the designation of authorities requiring them to recalculate their budget requirement and council tax.

2.2.7 The amount of council tax payable on a property depends in part on the valuation band to which it is allocated. There are currently eight bands in England ranging from Band A for dwellings valued at less than £40,000 on 1 April 1991 to Band H for dwellings valued at more than £320,000 on that date.

2.2.8 Within an authority, the council tax for each valuation band is a fixed ratio to that for Band D. For example, a Band A dwelling will pay six-ninths of the Band D amount, and a Band H dwelling will pay twice the Band D amount. The ratios for all bands to Band D are shown in **Table 2.2d**.

- Nationally, two thirds of properties are in Bands A to C and only 9% are in the top three bands.
- The pattern varies widely across regions. In the North East 56% of all properties are in Band A; in London the figure is just 4%. London and the South East account for 70% of all Band H properties in England.
- The total number of dwellings on the Valuation Office valuation list in England as at 12 September 2011 was 23.0 million, an increase of 136,000, or 1% compared with 2010. Of this increase, 49,300, or 36% of the total, were in London and the South East.

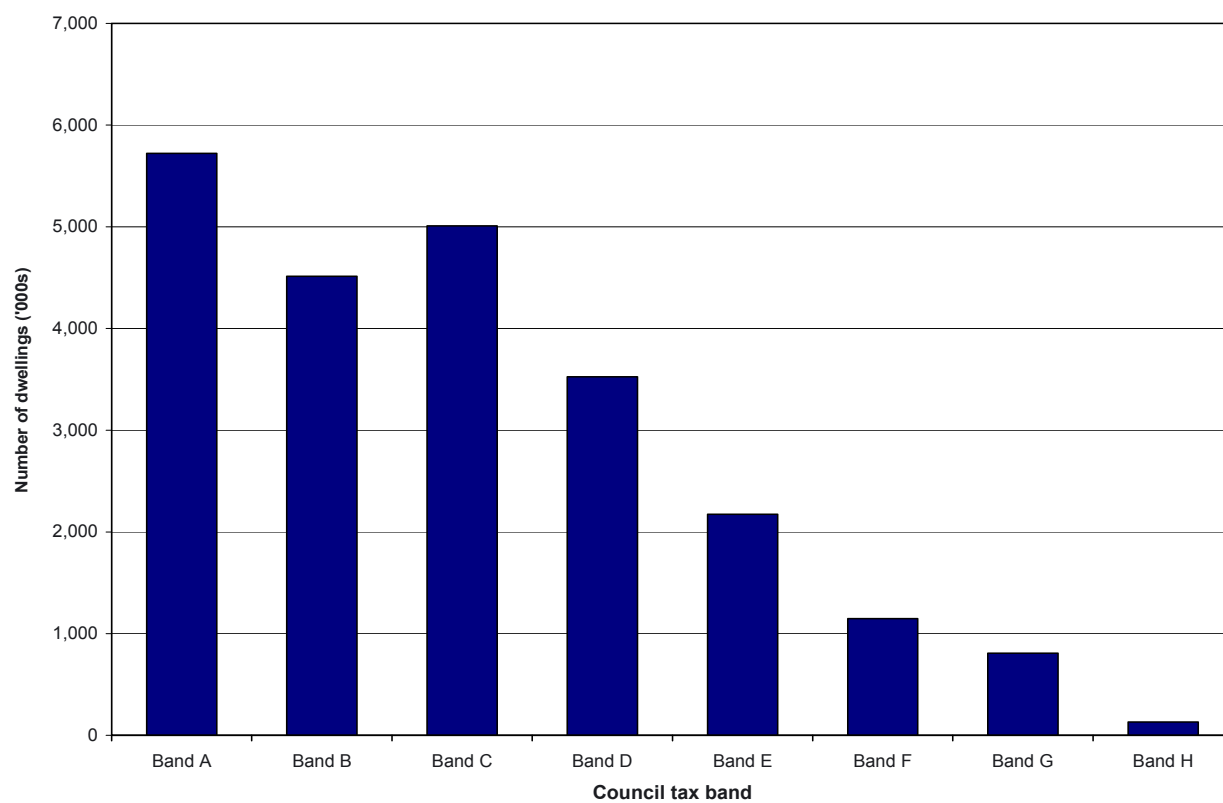
Table 2.2d: Number of dwellings on valuation list as at 12 September 2011 (by region)

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Thousands Total
Valuation band ranges	Under £40,000	£40,001 to £52,000	£52,001 to £68,000	£68,001 to £88,000	£88,001 to £120,000	£120,001 to £160,000	£160,001 to £320,000	Over £320,000	
Ratio to Band D ^(a)	6/9	7/9	8/9	1	11/9	13/9	15/9	2	
North East	659	177	172	94	47	21	12	1	1,182
North West	1,322	625	552	318	184	90	60	6	3,156
Yorkshire & the Humber	1,022	465	386	216	134	64	37	3	2,327
East Midlands	745	444	355	211	124	60	34	3	1,978
West Midlands	741	599	459	263	165	89	54	5	2,376
East of England	365	542	664	442	269	146	98	12	2,539
London	120	459	914	861	510	255	203	58	3,381
South East	327	616	956	743	489	295	236	34	3,697
South West	422	587	552	378	252	128	73	7	2,400
Total England	5,724	4,514	5,011	3,526	2,174	1,148	808	131	23,036
% in band	24.8	19.6	21.8	15.3	9.4	5.0	3.5	0.6	100.0

Source: Valuation Office Agency

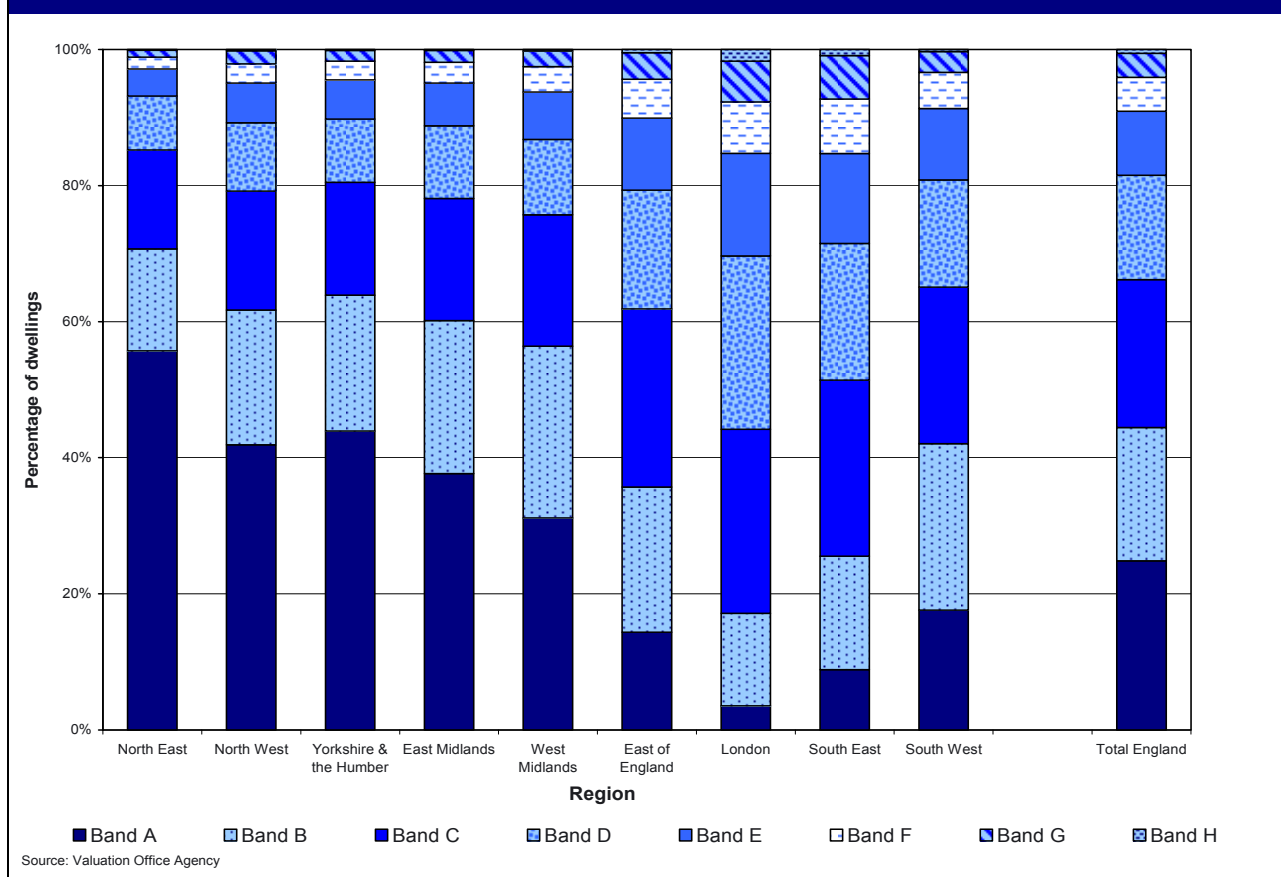
(a) Within an authority, the council tax for each valuation band is a fixed ratio to that for Band D. For example, a Band A dwelling will pay 6/9 the Band D amount, and a Band H dwelling will pay twice the Band D amount.

Chart 2.2e: Distribution of dwellings by council tax band as at 12 September 2011



Source: Valuation Office Agency

Chart 2.2f: Distribution of dwellings by council tax band and region as at 12 September 2011



- 2.2.9 Band D is used as the basis for calculating the tax base (the number of Band D equivalent properties) and for year-on-year comparisons of tax levels set. However, as only a minority of properties in each local authority are in Band D, the average Band D council tax does not enable direct comparison to be made of the average amounts of council tax payable by people in different areas.
- 2.2.10 In contrast, average council tax per dwelling reflects the wide variation between authorities in the distribution of properties across bands. It is therefore a helpful measure to use when comparing the amounts payable in different areas. Variations between figures on this basis are due to a combination of local authority tax-setting decisions and the distribution of properties across bands within each authority's area.
- 2.2.11 The Localism Act 2011 abolished central government capping and made provision for binding referendums to be held on excessive council tax increases. No authority exceeded the council tax excessiveness principles which applied in 2012-13 and there were no council tax referendums in respect of this year.
- 2.2.12 Under previous legislation, the Government had the power to 'designate' an authority which set an excessive budget requirement for a financial year ('the relevant year') and to set a maximum budget requirement for that authority for that year (i.e. 'cap' the authority). Alternatively, the Government could have 'nominated' the authority and either designate it in advance for capping in the subsequent financial year or years, or set a notional budget requirement for the relevant year or following financial year or years for capping purposes.

- In 2003-04, no authorities' budget requirements were designated in-year and no notional budget requirements were set. The average Band D council tax increase in England was 12.9%.
- In 2004-05, six authorities' budget requirements were designated in-year and notional budget requirements were set for eight authorities. The average Band D council tax increase in England was 5.9%.
- In 2005-06, eight authorities' budget requirements were designated in-year and a notional budget requirement was set for one authority. The average Band D council tax increase in England was 4.1%.
- In 2006-07, no authorities' budget requirements were designated in-year and notional budget requirements were set for two authorities. The average Band D council tax increase in England was 4.5%.
- In 2007-08, no authorities' budget requirements were designated in-year and no notional budget requirements were set. The average Band D council tax increase in England was 4.2%.
- In 2008-09, one authority's budget requirement was designated in-year, notional budget requirements were set for four authorities and three authorities were designated in advance for capping in 2009-10. The average Band D council tax increase in England was 3.9%.
- In 2009-10, one authority's budget requirement was designated in-year, a notional budget requirement was set for one authority and the three authorities which were designated in advance for 2009-10 were also designated in advance for 2010-11. The average Band D council tax increase in England was 3.0%.
- In 2010-11, no authorities' budget requirements were designated in-year, no notional budget requirements were set and two authorities were designated in advance for capping in 2011-12. The average Band D council tax increase in England was 1.8%.
- In 2011-12, no authorities' budget requirements were designated in-year, no notional budget requirements were set and no authorities were designated in advance for capping in 2012-13. There was no increase in the average Band D council tax England, as all authorities chose to receive the council tax freeze grant.
- In 2012-13, no authority exceeded the council tax excessiveness principles which applied and there were no council tax referendums in respect of this year. The average Band D council tax

increase in England was 0.3%.

2.2.13 **Table 2.2g** shows trends in average council taxes since 1993-94, expressed in two ways: the average Band D figure (including amounts funded by Council Tax Benefit); and the average council tax per dwelling. The table also gives figures for increases in the **Retail Prices Index (RPI)** and average UK earnings.

2.2.14 The average council tax per dwelling is lower than the average Band D council tax. This is partly because most dwellings are in bands lower than Band D; and partly because properties that are subject to a discount (for example for a single person, or because it is a second home) are counted as a whole property in the calculation of average council tax per dwelling, but as only part of a property in the calculation of the average Band D council tax.

- Band D council taxes, including amounts funded by benefit, increased by about 153% in cash terms or 52% in real terms between 1993-94 and 2011-12.

Table 2.2g: Average council taxes and increase in Retail Prices Index 1993-94 to 2011-12

	Council tax ^(a)					
	Band D, 2 adults for area			Average per dwelling	Retail Prices Index	Average UK earnings ^(c)
		% increase ^(e)	% increase ^(e) real terms ^(b)		% increase ^(e)	% increase ^(e)
	£			£		
1993-94 ^(d)	568	-	-	456	-	-
1994-95 ^(d)	580	2.1	-0.4	473	2.6	3.0
1995-96 ^(d)	609	5.0	1.6	498	3.3	4.0
1996-97 ^(d)	646	6.1	3.6	529	2.4	3.4
1997-98 ^(d)	688	6.5	4.0	564	2.4	3.8
1998-99 ^(d)	747	8.6	4.4	614	4.0	5.8
1999-00	798	6.8	5.1	656	1.6	4.1
2000-01	847	6.1	3.1	697	3.0	4.5
2001-02	901	6.4	4.6	741	1.8	5.8
2002-03	976	8.2	6.6	804	1.5	3.7
2003-04	1,102	12.9	9.5	908	3.1	2.7
2004-05 ^(d)	1,167	5.9	3.3	967	2.5	4.0
2005-06 ^(d)	1,214	4.1	0.8	1,009	3.2	4.6
2006-07	1,268	4.5	1.9	1,056	2.6	4.4
2007-08	1,321	4.2	-0.3	1,101	4.5	4.6
2008-09 ^(d)	1,373	3.9	-0.3	1,145	4.2	4.8
2009-10 ^(d)	1,414	3.0	4.2	1,175	-1.2	1.5
2010-11	1,439	1.8	-3.4	1,195	5.3	0.4
2011-12	1,439	0.0	-4.9	1,196	5.2	2.5
% change 1993-94 to 2011-12		153.4	52.0	162.2	66.7	93.9

Source: BR1, BR2, BR3 and CTB returns

(a) Amounts shown are headline taxes, before transitional reliefs and benefits.

(b) Adjusted using the All Items Retail Prices Index (RPI) as at April each year.

(c) Change in the Average Earnings Index (AEI) (to 2000-01) or Average Weekly Earning (AWE) statistic (from 2001-02) for the whole economy at April each year. The AWE statistic has replaced the previously reported AEI as the lead measure of short-term changes in earning, however AWE is currently only available from 2000 onwards. Percentage change 1993-94 to 2011-12 should be used with caution as there are definitional differences which mean the two series are not strictly comparable.

(d) Amounts shown are after the designation of authorities requiring them to recalculate their budget requirement and council tax.

(e) All increases shown are the increase from April of the previous year. For example, % increase 2011-12 gives the increase from April 2010 to April 2011.

(R) Revised

- The difference between Band D council tax and the average council tax per dwelling is greater in the northern regions of the country. This is mainly due to lower average property prices in the North.
- The average Band D council tax is generally higher in the more rural authorities than in the more urban authorities.

Table 2.2h: Average council taxes by region and class 2007-08 to 2011-12

	Band D council tax ^(a) , 2 adults for area					£ Average per dwelling
	2007-08	2008-09 ^(b)	2009-10 ^(b)	2010-11 ^(b)	2011-12	2011-12
North East	1,380	1,429	1,479	1,511	1,512	1,060
North West	1,345	1,396	1,442	1,469	1,469	1,088
Yorkshire & the Humber	1,286	1,337	1,379	1,406	1,406	1,048
East Midlands	1,348	1,408	1,454	1,486	1,486	1,140
West Midlands	1,297	1,346	1,387	1,415	1,416	1,114
East of England	1,349	1,408	1,451	1,480	1,480	1,293
London	1,258	1,292	1,308	1,309	1,308	1,214
South East	1,331	1,390	1,436	1,468	1,468	1,374
South West	1,352	1,413	1,462	1,499	1,500	1,272
Total England	1,321	1,373	1,414	1,439	1,439	1,196
<i>of which:</i>						
Inner London	1,090	1,112	1,117	1,116	1,117	1,025
Outer London	1,361	1,402	1,426	1,429	1,429	1,335
Metropolitan areas	1,284	1,328	1,372	1,399	1,399	1,000
Shire unitary authorities	1,302	1,358	1,429	1,461	1,462	1,165
Shire district areas	1,362	1,422	1,465	1,495	1,496	1,311
Predominantly Urban ^(c)	1,300	1,348	1,383	1,404	1,403	1,126
Significant Rural ^(c)	1,339	1,396	1,444	1,472	1,471	1,289
Predominantly Rural ^(c)	1,362	1,422	1,468	1,503	1,504	1,320

	Band D council tax ^(a) , 2 adults for area					% increase
	2007-08	2008-09 ^(b)	2009-10 ^(b)	2010-11 ^(b)	2011-12	
North East	3.8	3.5	3.5	2.2	0.1	
North West	4.4	3.7	3.3	1.9	0.0	
Yorkshire & the Humber	4.2	3.9	3.2	2.0	0.0	
East Midlands	4.1	4.4	3.3	2.2	0.0	
West Midlands	4.1	3.8	3.1	2.1	0.0	
East of England	4.6	4.3	3.1	2.0	0.0	
London	3.6	2.7	1.3	0.0	0.0	
South East	4.4	4.4	3.3	2.2	0.0	
South West	4.5	4.5	3.5	2.5	0.1	
Total England	4.2	3.9	3.0	1.8	0.0	
<i>of which:</i>						
Inner London	2.9	2.0	0.5	-0.1	0.1	
Outer London	4.1	3.0	1.7	0.2	0.0	
Metropolitan areas	3.8	3.4	3.3	2.0	0.0	
Shire unitary authorities ^(d)	4.1	4.3	3.5	2.3	0.0	
Shire district areas ^(e)	4.5	4.4	3.2	2.1	0.0	
Predominantly Urban ^(c)	4.0	3.6	2.6	1.5	0.0	
Significant Rural ^(c)	4.6	4.3	3.4	1.9	0.0	
Predominantly Rural ^(c)	4.4	4.4	3.2	2.4	0.1	

Source: BR1, BR2 and BR3 returns

(a) Amounts shown are headline taxes, before transitional relief and benefits.

(b) Amounts shown are after the designation of authorities requiring them to recalculate their budget requirement and council tax.

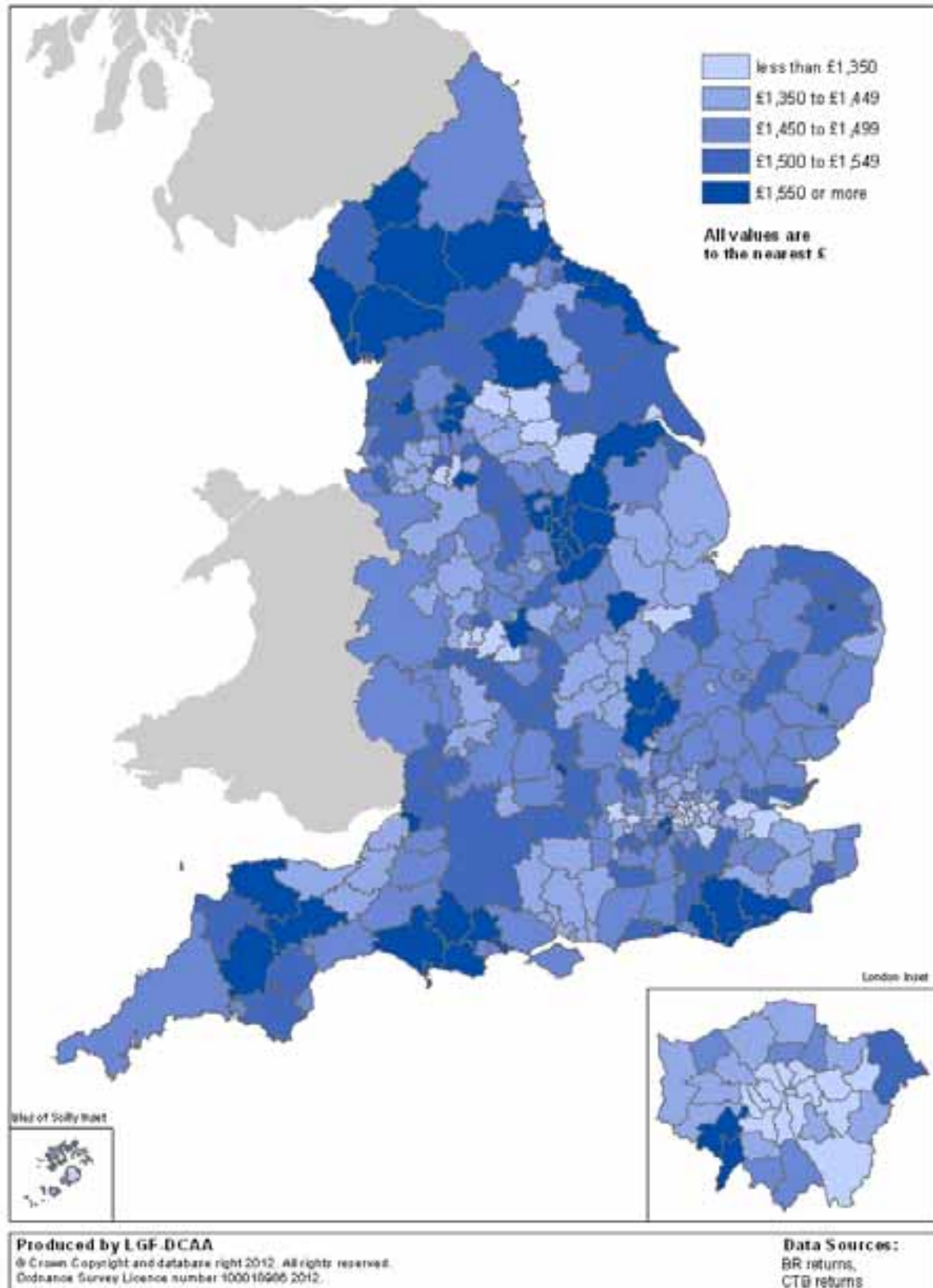
(c) Based on the Rural Definition and Local Authority Classification published by Defra (see <http://www.defra.gov.uk/statistics/rural/what-is-rural> for more detail).

(d) Percentage change figures assume that the new unitary authorities created on 1 April 2009 were also in existence in 2008-09. To allow meaningful comparisons, the corresponding 2008-09 district and county figures have been aggregated.

(e) Percentage change figures exclude those authorities that were disbanded on 31 March 2009 (as part of the establishment of nine new unitary authorities) from 2008-09 and 2009-10 data. This ensures that data are comparable.

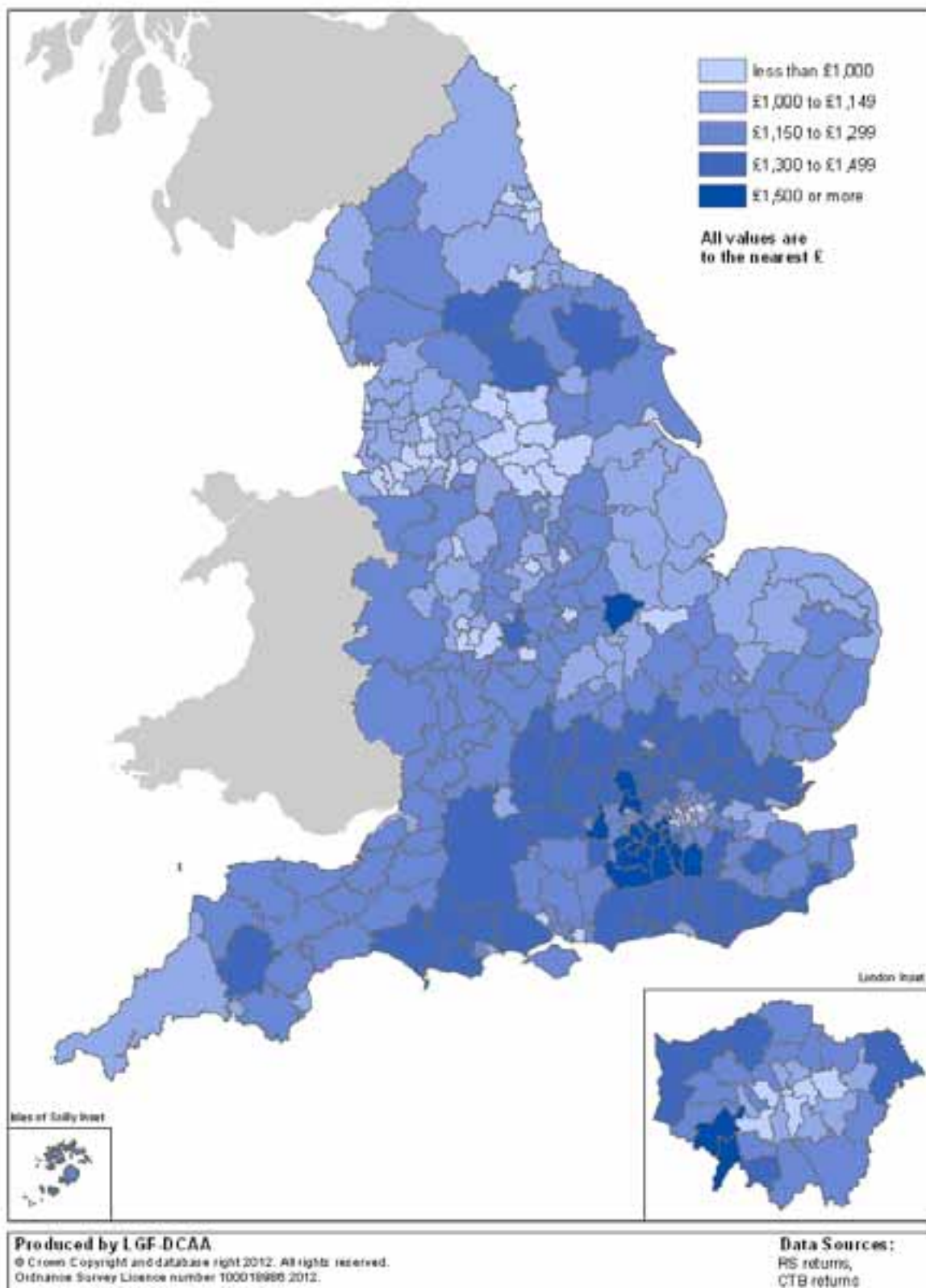
- There are several concentrations of higher Band D council tax. These are found in the North, the Midlands, the South West and the South East. (see **Map 2.2i**).

Map 2.2i: Band D area council tax 2011-12



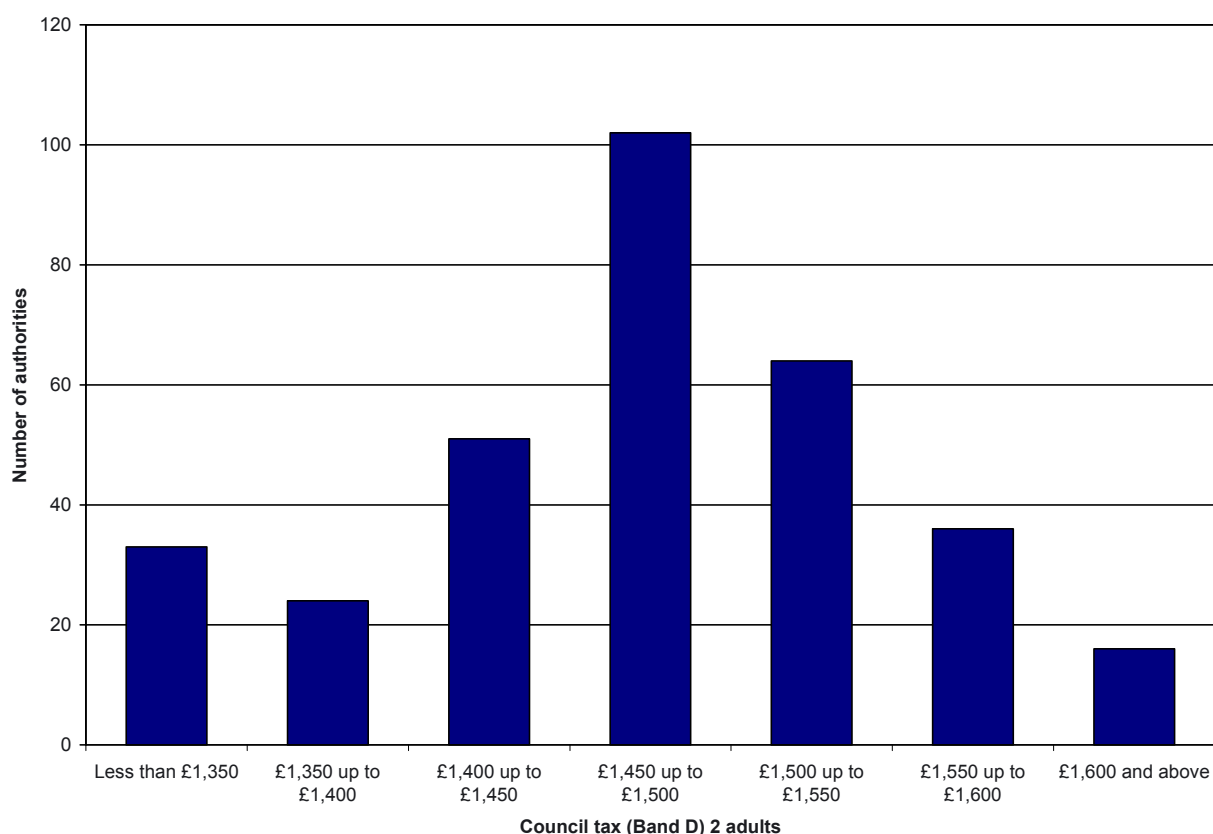
- High average council tax per dwelling is mainly concentrated in the South of England (see **Map 2.2j**).

Map 2.2j: Average council tax per dwelling 2011-12



- Band D area council tax for 2011-12 was between £1,450 and £1,550 in more than 50% of billing authorities (166 of 326).

Chart 2.2k: Distribution of authorities by area council tax, Band D, 2 adults, 2011-12



- Between 2010-11 and 2011-12 there was no change in the level of the Band D area council tax in England. It remained at £1,439.

2.2.15 Not every property on the valuation list is liable to pay a full council tax, which is partly based on the property and partly based on the occupants of the property. Some properties are exempt, for example due to being empty for less than six months, or subject to a discount. The full council tax bill assumes that there are two adults living in a dwelling. If only one adult lives in a dwelling (as their main home), the council tax bill is reduced by a quarter (25%).

2.2.16 Before 1 April 2004, the council tax bill for a dwelling which was no-one's main home was reduced by a half (50%) in all local authority areas. However, since 1 April 2004, the Local Government Act 2003 has given councils in England the choice to apply council tax discounts of between 10% and 50% for second homes, to reduce or end discounts for long term empty property, and to grant discretionary discounts and exemptions.

2.2.17 Certain people are not counted when looking at the number of adults resident in a dwelling, such as students and severely mentally impaired people. More detailed information on council tax exemptions is set out in **Table B1** and **Table B2** of **Annex B**, which is available online. Council tax exemptions are taken into account by billing authorities when they calculate their taxbase (the number of Band D equivalent properties in their area).

- In England there were 22.2 million dwellings on the Valuation Office valuation list liable for council tax as at 12 September 2011 an increase of 1%.
- The number of dwellings on the valuation list that are exempt from council tax increased by 1% compared with 2010.
- 7.7 million dwellings were entitled to a discount as a result of being occupied by single adults. This represents 33% of all dwellings.
- The discount given to long term empty dwellings can vary between 0% and 50%. The number of long term empty dwellings that do not receive a discount increased by 27,000 or 21% between 2007 and 2011; the number of long term empty dwellings that were subject to a discount fell by 62,000, or 34%, in the same period. This gives a net reduction of 35,000, or 11%, in the total number of empty dwellings.

Table 2.2I: Number of chargeable dwellings ^(a)

	thousands				
	2007	2008	2009	2010	2011
Total number of dwellings on valuation lists	22,388	22,596	22,766	22,899	23,036
Number of dwellings exempt from council tax	762	777	784	777	788
Number of demolished dwellings	3	3	2	2	2
Number of dwellings on valuation list liable for council tax ^(b)	21,623	21,816	21,979	22,120	22,246
Number of dwellings subject to a discount	8,106	8,177	8,243	8,304	8,303
of which:					
second homes ^(c)	239	246	252	246	246
long-term empty homes ^(d)	188	184	173	156	126
single adults	7,485	7,544	7,604	7,674	7,703
all residents disregarded for council tax purposes	32	32	33	33	33
all but one resident disregarded for council tax purposes	162	170	181	195	196
Number of dwellings not subject to a discount	13,517	13,638	13,736	13,816	13,943
of which:					
long-term empty homes ^(d)	126	143	143	144	153
others	13,391	13,496	13,593	13,672	13,790

Source: CTB returns

(a) As at 17 September 2007, 15 September 2008, 14 September 2009, 13 September 2010 and 12 September 2011

(b) Total dwellings on valuation list less those exempt from council tax and demolished dwellings

(c) At local authority discretion, second homes can be subject to a discount of between 10% and 50%.

(d) Long-term empty homes are those dwellings which are unoccupied and substantially unfurnished and, at local authority discretion, can be subject to a discount of between 0% and 50%.

- Average in year council tax collection rates have been slowly increasing, reaching 97.1% nationally in 2007-08 before falling back to 97.0% in 2008-09. In 2009-10 and 2010-11 council tax collection rates increased reaching 97.3%.
- The average in year council tax collection rate in Inner London Boroughs rose by 18.7 percentage points in the period 1993-94 to 2007-08 although it fell back slightly in 2008-09. However it increased in 2010-11 reporting an increase 19.1 percentage points over the 1993-94 figure.

2.2.18 The collection of council taxes continues once the financial year to which they relate has ended. This means that the final collection rate achieved is somewhere between the figures shown and 100 percent.

Table 2.2m: Collection rates ^(a): Council tax 1993-94 to 2010-11

	All English authorities	Inner London boroughs ^(b)	Outer London boroughs	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	%
1993-94	92.6	76.0	90.0	86.0	91.0	-	95.0	
1994-95	93.4	80.0	91.8	88.0	92.0	-	95.1	
1995-96	94.5	84.4	92.9	90.1	93.6	-	95.8	
1996-97	95.3	86.7	93.8	91.4	94.6	-	96.2	
1997-98	95.5	88.0	93.8	91.8	95.0	94.5	97.2	
1998-99	95.6	88.5	93.9	92.0	94.9	94.9	97.1	
1999-00	95.6	88.7	93.7	92.1	94.8	95.1	97.1	
2000-01	95.8	89.6	94.3	92.8	95.1	95.0	97.2	
2001-02	96.1	91.1	94.9	93.7	95.2	95.3	97.4	
2002-03	96.4	91.9	95.0	94.1	95.2	95.7	97.6	
2003-04	96.5	92.0	95.0	94.1	95.6	95.5	97.8	
2004-05	96.6	92.9	95.1	94.4	95.7	95.8	97.8	
2005-06	96.8	93.9	95.4	94.9	95.6	96.4	97.9	
2006-07	96.9	94.1	95.5	95.1	95.3	96.6	98.0	
2007-08	97.1	94.7	96.0	95.6	95.6	96.7	98.1	
2008-09	97.0	94.6	96.0	95.5	95.7	96.7	98.0	
2009-10	97.1	94.6	96.2	95.7	95.9	97.0	98.1	
2010-11	97.3	95.1	96.4	96.0	96.1	97.2	98.2	

Source: QRC4 returns

(a) Receipts of annual council taxes collected by end of financial year as a percentage of net collectable debit.

The net collectable debit is the council tax for the relevant year that authorities would collect if everyone liable paid,
i.e. net of discounts, exemptions, disabled relief, transitional relief and council tax benefits.

(b) Includes City of London.

2.2.19 **Table 2.2n** shows the distribution of council tax collection rates by class of authority for 2010-11.

- Three metropolitan districts and four London boroughs had a council tax collection rate of over 98% compared with 11 unitary authorities and 130 shire districts.
- No shire districts had a collection rate of less than 95% compared to eight London boroughs, four unitary authorities and four metropolitan districts.

Table 2.2n: Council tax collection rates by class of authority 2010-11

Band (%)	Number of Authorities				
	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	England
less than 95	8	4	4	0	16
95 up to 96	9	9	8	6	32
96 up to 97	7	11	10	13	41
97 up to 98	5	9	23	52	89
98 up to 99	3	3	10	112	128
99 and above	1	0	1	18	20
Grand Total	33	36	56	201	326

Source: QRC4 returns

Table 2.2o: Outstanding arrears of council tax

	£ million	
	Council tax	
	Estimated arrears at start of the year	Arrears collected
1998-99	1,100	302
1999-00	1,200	307
2000-01	1,255	343
2001-02	1,435	364
2002-03	1,486	401
2003-04	1,568	389
2004-05	1,658	355
2005-06	1,733	447
2006-07	1,838	427
2007-08	1,952	442
2008-09	2,026	427
2009-10	2,157	440
2010-11	2,240	472

Source: QRC4 returns, and CIPFA (for figures prior to 2003-04).

2.3 Non-domestic rates

2.3.1 Since 1 April 1990 most non-domestic properties in England have been liable to nationally-set non-domestic rates (NNDR), which are also known as **business rates** (or sometimes the unified business rate). Before 1990, non-domestic rates were set locally. Since then, they have been set nationally, and paid into a central pool. Prior to 2006-07 they were then distributed among local authorities on a per head basis. From 2006-07 onwards, they are distributed among local authorities on the same basis as Revenue Support Grant, with the payments being regarded as a type of government grant.

2.3.2 Liable properties include public buildings, pipelines and advertising hoardings, as well as businesses. However, some non-domestic properties, such as agricultural land and associated

buildings, and churches, are exempt. Each property liable to non-domestic rates is known as a **hereditament**, and is recorded on a rating list that is compiled and maintained by the Valuation Office Agency, an agency of HM Revenue and Customs.

- 2.3.3 Each hereditament has a rateable value that is based, broadly, on the annual rent that the property could have been let for on the open market at a particular date (currently 1 April 2008, using a list compiled for 1 April 2010).

Table 2.3a: Number of non-domestic hereditaments on local rating lists at 1 April 2011

Rateable value	thousands						Total
	Under £1,000	£1,000 to £4,999	£5,000 to £14,999	£15,000 to £24,999	£25,000 to £49,999	£50,000 and over	
North East	3	18	16	5	4	5	52
North West	15	80	73	21	19	21	228
Yorkshire & the Humber	10	65	61	17	15	16	184
East Midlands	9	50	46	13	11	12	143
West Midlands	13	58	59	18	15	17	179
East of England	17	45	59	20	17	19	177
London	12	58	95	41	37	52	296
South East	15	68	98	33	29	32	275
South West	12	53	58	17	14	15	170
Total England	106	495	565	185	161	189	1,704
% of Total	6	29	33	11	9	11	100

Source: Valuation Office Agency

- 2.3.4 In broad terms, the rates bill for a property is the product of its rateable value and the relevant national non-domestic rating multiplier. This was 40.7p in the pound in 2010-11 and 42.6p in the pound in 2011-12 for ratepayers benefiting from the **small business rate relief** scheme. For other properties the figures were 41.4p in the pound in 2010-11 and 43.3p in 2011-12. Further adjustments may be made for other reliefs.

Table 2.3b: Rateable values on local rating lists at 1 April 2011

	£ million						Number of hereditaments (thousand)
	Shops	Offices	Warehouses	Factories	Others	Total	
North East	463	268	199	239	547	1,716	52
North West	1,539	967	945	675	2,012	6,138	228
Yorkshire & the Humber	1,157	715	759	698	1,584	4,913	184
East Midlands	754	359	752	615	1,191	3,671	143
West Midlands	1,069	724	972	694	1,408	4,868	179
East of England	1,238	874	954	630	1,682	5,378	177
London	3,309	7,558	1,320	500	4,038	16,726	296
South East	2,184	1,715	1,479	855	2,943	9,176	275
South West	1,151	645	658	473	1,498	4,425	170
Total England	12,863	13,825	8,039	5,380	16,903	57,010	1,704
% of Total	22	24	14	9	29	100	

Source: Valuation Office Agency

Table 2.3c: Outturn national non-domestic rate yield from local lists, in England, since 2007-08^(a)

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12(B)
Yield before reliefs in respect of current year	20,521	21,307	22,469	23,090	24,216
<i>add</i>					
Changes in respect of previous years	-948	-670	-736	-862	0
<i>less</i>					
Buoyancy Factor Allowance	-	-	-	-	1,132
Yield before reliefs	19,573	20,637	21,733	22,228	23,084
<i>less</i>					
Transitional Relief	-120	-73	-148	537	449
Mandatory Relief	2,137	1,396	2,129	2,199	1,851
Discretionary Relief	39	42	47	43	42
Small Business Rate Relief	148	145	188	162	146
Schedule of Payment agreements	-	59	8	-1	-
Deferments	-	-	98	-	-
Net rate yield	17,369	19,068	19,412	19,288	20,596
<i>less</i>					
Collection costs including losses ^(b)	232	347	373	364	309
Contribution to the pool	17,138	18,722	19,039	18,924	20,287
	2007-08	2008-09	2009-10	2010-11	2011-12
Small business rate multiplier (pence)	44.1	45.8	48.1	40.7	42.6
National non-domestic rates multiplier (pence)	44.4	46.2	48.5	41.4	43.3
Number of hereditaments ('000) ^(c)	1,681	1,692	1,698	1,718	1,735
Rateable value ^(c)	47,314 ^(d)	46,888 ^(d)	46,721 ^(d)	56,337 ^(e)	56,846 ^(e)

Source: NNDR1 and NNDR3 returns - data for 2007-08 to 2010-11 are outturn figures from NNDR3; those for 2011-12 are budget estimates from NNDR1.

(a) This excludes contributions from the central list and other contributions to the pool.

(b) Includes the City of London offset of £9.8million in 2009-10, £10million in 2010-11 and £10.2million in 2011-12.

(c) As at 31 December in previous year.

(d) Based on draft list for use following April 2005 revaluation.

(e) Based on draft list for use following April 2010 revaluation.

- 2.3.5 Rate reliefs can be granted in certain circumstances by local authorities. Mandatory reliefs are automatic entitlements in any local authority area, and discretionary reliefs are granted at a local authority's discretion. An example of these two types of relief is properties held by charities, which are automatically entitled to mandatory relief of 80 per cent and where local authorities have the discretion to top the amount up to 100 per cent. The cost of discretionary relief is met, in part, by local authorities.
- 2.3.6 In addition, at a revaluation, transitional arrangements are introduced which cap significant increases and decreases in bills. The 2010 transitional scheme aims to be revenue neutral by phasing in both increases and decreases over five years, instead of all ratepayers receiving the full impact of the changes immediately on 1 April 2010.
- 2.3.7 The Business Rate Supplements Act 2009 made provision for county councils, unitary district councils and the Greater London Authority to levy a supplement of up to a maximum of 2p in the pound on the national non-domestic rate for properties with a rateable value greater than £50,000. The revenue from the Business Rate Supplement is not returned to the national pool, but retained by authorities so that they are able to use the proceeds to fund additional investment aimed at promoting the economic development of local areas. Presently, only the GLA have levied a Business Rate Supplement.

- Changes to levels of empty property relief have been driven by revisions to the rules. Prior to 1 April 2008, after an initial 3 month rate-free period, industrial properties continued to receive 100% relief, while all other empty properties received 50% relief. In 2008-09 the rules governing empty property rate relief were reformed by the Rating (Empty Properties) Act 2007. From 2008-09 non-industrial properties could claim 100% relief for the first 3 months of being empty and industrial properties could claim 100% relief for the first 6 months of being empty, after which they were liable for full rates. In response to the economic downturn, in 2009-10, all empty properties below £15,000 in rateable value were exempt. This limit was raised to £18,000 in 2010-11 in line with revaluation. In 2011-12, the relief available reverted to the 2008-09 regime.

Table 2.3d: Mandatory and discretionary rate reliefs^(a)

	£ million				
	2007-08	2008-09	2009-10	2010-11	2011-12(B)
Mandatory Reliefs					
Charity	770.8	853.8	945.1	998.2	1,054.6
Rural village shop	5.9	6.1	6.4	5.5	5.5
Former agricultural premises ^(b)	0.0	0.0	0.0	0.0	-
Partly occupied	55.9	36.3	45.2	58.0	18.7
Empty premises ^(c)	1,294.0	487.0	1,117.1	1,121.7	757.3
Community amateur sports clubs	10.6	12.7	15.0	15.6	15.1
Total	2,137.0 	1,395.9 	2,128.7	2,199.0	1,851.3
Discretionary Reliefs					
Charity	8.8	9.1	10.1	10.5	11
Non-profit making bodies	25.7	27.9	28.9	26.1	27.9
Rural village shop	2.0	2.1	2.3	2.0	2.1
Other small rural business	1.3	1.3	1.4	1.2	1.2
Former agricultural premises ^(b)	0.0	0.0	0.0	0.0	-
Hardship	0.9	1.3	3.7	3.3	-
Charges on property	0.0	0.1	0.1	0.0	-
Community amateur sports clubs	0.2	0.2	0.2	0.2	0.3
Total	38.9	41.9	46.8	43.3	42.4

Source: NNDR1 and NNDR3 returns - data for 2007-08 to 2010-11 are outturn figures from NNDR3; those for 2011-12 are budget estimates from NNDR1.

(a) Excludes small business rate relief.

(b) Relief for former agricultural premises ended in August 2006.

(c) Rules governing the award of empty property relief changed in April 2008, April 2009 and April 2011

Table 2.3e: Non-domestic rate yields from 2003-04 to 2012-13

	Multiplier (pence)	Local List				Central list receipts	Other contributions ^(b)	Total Contribution to the pool
		Number of hereditaments ^(a) ('000s)	Rateable value ^(a)	Notional yield in respect of current year	Contribution to the pool			
2003-04	44.4	1,642	39,586	17,463	14,385	1,029	121	15,535
2004-05	45.6	1,647	39,466	17,908	14,738	1,030	87	15,855
2005-06	41.5 ^(c)	1,651	46,280	19,484	15,677	1,097	10	16,784
2006-07	42.6 ^(c)	1,663	47,094	20,013	16,853	1,148	0	18,001
2007-08	44.1 ^(d)	1,681	47,314	20,521	17,138	1,177	20	18,335
2008-09	45.8 ^(e)	1,692	46,888	21,307	18,722	1,153	11	19,886
2009-10	48.1 ^(e)	1,698	46,721	22,469	19,039	1,171	11	20,221
2010-11	40.7 ^(c)	1,718	56,337	23,090	18,924	1,174	11	20,109
2011-12	42.6 ^(c)	1,735	56,846	24,216	20,287	1,252	9	21,548
2012-13 ^(f)	45.0 ^(g)	1,759	57,178	25,760	21,556	1,322	11	22,889

Source: NNDR1 and NNDR3 returns

(a) Data taken from NNDR1 are as at 31 December of the previous year ie number of hereditaments shown for 2004-05 taken as at 31 December 2003.

(b) Includes Crown contributions and Contributions in lieu of rates for crown properties (CILOR).

(c) This figure applies to ratepayers in receipt of small business rate relief. A supplement of 0.7p in the pound applies to other properties.

(d) This figure applies to ratepayers in receipt of small business rate relief. A supplement of 0.3p in the pound applies to other properties.

(e) This figure applies to ratepayers in receipt of small business rate relief. A supplement of 0.4p in the pound applies to other properties.

(f) The figures for 2012-13 are estimates used in the calculation of the Distributable Amount (see table 2.3k).

(g) This figure applies to ratepayers in receipt of small business rate relief. A supplement of 0.8p in the pound applies to other properties.

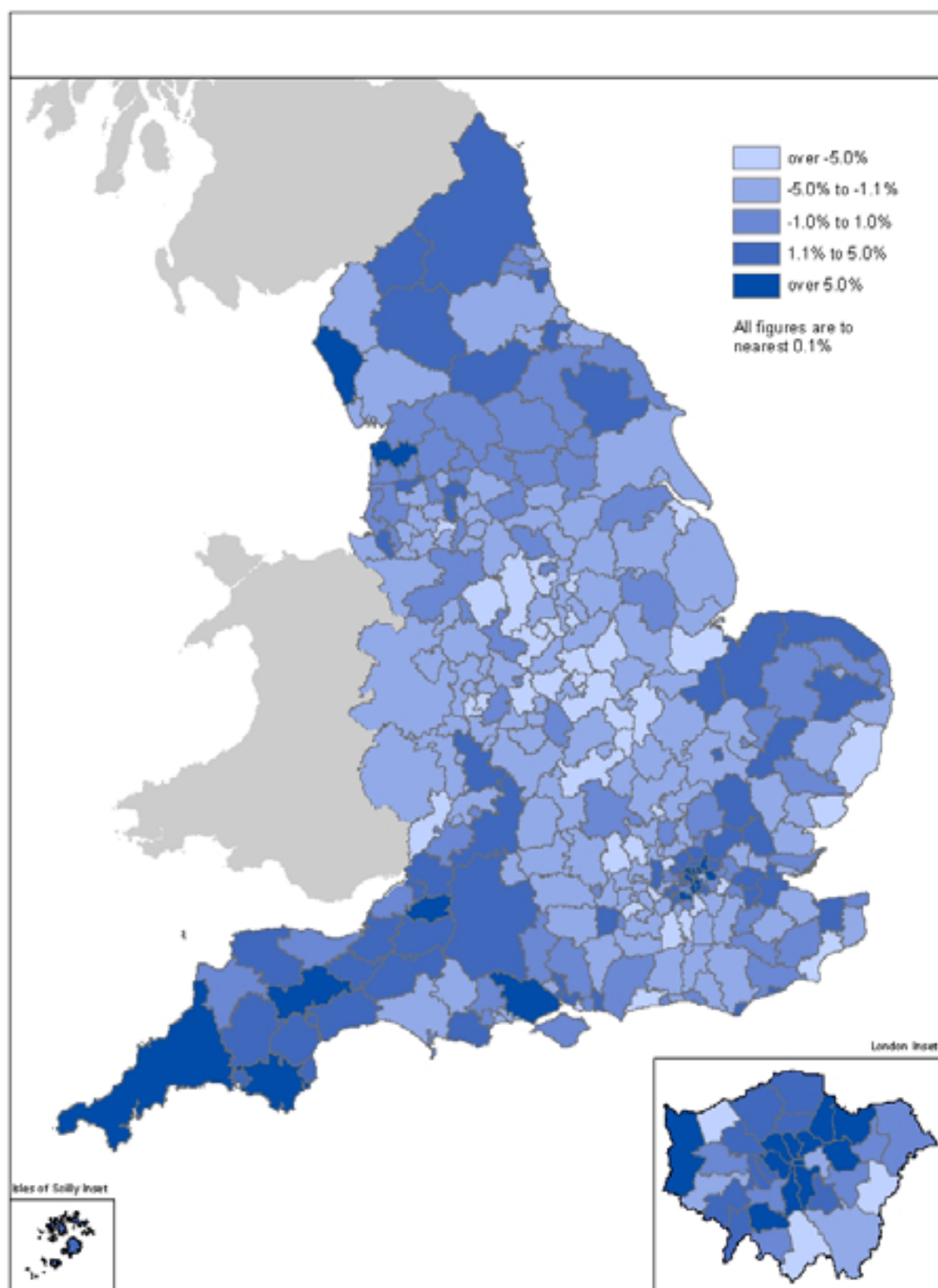
- London accounts for 28% of the contribution to the national pool while having only 15% of the population.

Table 2.3f: Contribution to national non-domestic rates pool by region 2011-12

	Contribution to pool (£ million)	Proportion of contribution to pool %	Proportion of total population %
North East	753	3.7	5.0
North West	2,328	11.5	13.3
Yorkshire & the Humber	1,673	8.2	10.1
East Midlands	1,322	6.5	8.6
West Midlands	1,783	8.8	10.5
East of England	1,999	9.9	11.1
London	5,667	27.9	15.0
South East	3,110	15.3	16.3
South West	1,652	8.1	10.1
Total England	20,287	100.0	100.0

Source: NNDR1 returns and ONS mid-year 2010 population estimates

Map 2.3g: Change in amount of collectable NNDR from 2009-10 to 2010-11



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Data Sources:
QRC4 form

- Although the average in-year non-domestic rates collection rate has been gradually increasing year-on-year, reaching 98.8% nationally in 2007-08, it fell by 1 percentage point in 2008-09 but rose by 0.2 percentage points in 2010-11.

Table 2.3h: Collection rates^(a) : non-domestic rates 2000-01 to 2010-11

	All English authorities	Inner London boroughs ^(b)	Outer London boroughs	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	%
2000-01	97.4	96.8	96.7	96.8	97.3	97.3	97.9	
2001-02	97.9	97.9	97.1	97.6	97.4	97.9	98.2	
2002-03	98.2	98.0	98.1	98.0	97.8	98.1	98.5	
2003-04	98.3	98.5	98.2	98.4	97.8	97.8	98.6	
2004-05	98.3	98.3	98.3	98.3	97.9	98.1	98.7	
2005-06	98.4	97.9	98.4	98.1	97.9	98.4	98.8	
2006-07	98.7	98.5	98.7	98.6	98.3	98.8	98.9	
2007-08	98.8	98.9	98.9	98.9	98.5	98.6	99.0	
2008-09	97.8	98.1	97.8	98.0	97.2	97.5	98.2	
2009-10	97.8	98.1	97.8	98.0	97.5	97.4	98.2	
2010-11	98.0	98.2	97.8	98.1	97.3	97.7	98.4	

Source: QRC4 returns

(a) Calculated as receipts of annual business rates collected by end of financial year as a percentage of net collectable debit. The net collectable debit is the business rate for the relevant year that authorities would collect if everyone liable paid ie, net of relief or voids.

(b) Includes the City of London.

2.3.7 As with council taxes, the collection of non-domestic rates continues once the financial year to which they relate has ended; this means that the final collection rate achieved is somewhere between the figures shown and 100 per cent.

2.3.8 **Table 2.3i** shows the distribution of non-domestic rates collection rates by class of authority for 2010-11.

Table 2.3i: NNDR collection rates by class of authority 2010-11

Band (%)	Number of Authorities				
	London boroughs	Metropolitan districts	Unitary authorities	Shire districts	England
less than 97	10	15	13	14	52
97 up to 98	8	9	12	38	67
98 up to 98.5	4	4	14	58	80
98.5 up to 99	4	4	9	44	61
99 up to 99.5	6	4	6	34	50
99.5 and above	1	0	2	13	16
Grand Total	33	36	56	201	326

Source: QRC4 returns

- It is estimated that £1.1 billion of non-domestic rate arrears were outstanding as at 31 March 2011.

Table 2.3j: Non-domestic rate arrears 1999-00 to 2010-11

	£ million					
	Arrears at start of the year	Debit raised	Amount received (for arrears) ^(a)	Amount received (for current year)	Estimated write-offs	Arrears at end of the year
1999-00	825	12,301	-102	11,951	419	858
2000-01	858	13,607	-236	13,255	582	864
2001-02	864	14,737	-44	14,421	433	791
2002-03	791	15,172	-210	14,891	576	706
2003-04	706	15,368	-527	15,102	818	680
2004-05	680	15,742	-550	15,481	779	712
2005-06	712	16,527	-459	16,258	714	726
2006-07	726	17,454	-298	17,225	579	674
2007-08	674	17,964	-482	17,749	759	612
2008-09	612	19,507	-452	19,083	586	902
2009-10	902	19,984	-419	19,552	636	1,117
2010-11	1,117	20,025	-493	19,532	974	1,129

Source: NNDR3 and QRC4 returns
(a) A negative figure means that the increase in amounts due for previous years exceeded the arrears collected.

- 2.3.9 Having been collected, the income from non-domestic rates is paid into a central pool and is then redistributed to local authorities. The method of distribution is explained in **section 2.3.1**. Each year, the Government estimates how much will be redistributed from the pool in the forthcoming year, based on the amount likely to be paid into it and the difference in previous years between the amounts payable to the pool and the amounts paid from it. This is known as the **Distributable Amount**. The calculation of the Distributable Amount for 2011-12 is shown in **Table 2.3k**.
- 2.3.10 Non-domestic rates come mainly from two sources: properties on local rating lists (which since 2000-01 have included Crown properties, such as central government properties and Ministry of Defence establishments) and properties on the central list (such as national utilities and pipelines etc). The income from properties on local rating lists is collected by billing authorities and paid by them into the pool. Rates from properties on the central list are collected directly by the Department for Communities and Local Government.
- 2.3.11 Ratepayers can find further information on non-domestic rates on the Valuation Office Agency managed website www.businesslink.gov.uk. Further information on rateable values and non-domestic rates is given in the HM Revenue and Customs' *Non-domestic rating in England and Wales*, which can be seen at www.hmrc.gov.uk/stats/non_domestic/menu.htm. Further information on rateable values can also be seen in *Commercial and Industrial Floorspace and Rateable Value Statistics* in the *Planning statistics* section of the *Planning* section of the Department for Communities and Local Government website.

- The amount of national non-domestic rates being redistributed to local authorities in 2012-13 is £23.119bn.

Table 2.3k: Calculation of the Distributable Amount for 2012-13 ^(a)

	£ million				
	2008-09	2009-10	2010-11	2011-12	2012-13
	Outturn	Outturn	Provisional Outturn	Provisional contribution	Estimated contribution
1. Income from Local lists					
Multiplier (pence)	45.8	48.1	40.7	42.6	45.0
Gross Rate Yield	21,307	22,469	23,090	24,217	25,760
(i) Reliefs					
(a) Net Transitional Relief	-66	0	-655	-449	-186
(b) Small Business Rate Relief	-122	-157	-134	-326	-360
(c) Empty or partly occupied properties ^(b)	-633	-1,165	-1,173	-776	-826
(d) Charitable	-850	-941	-1,005	-1,055	-1,122
(e) Rural shops & post offices	-6	-6	-5	-6	-6
(f) Community amateur sports clubs	-12	-15	-15	-15	-16
(g) Former agricultural premises	0	0	0	-	-
(h) Discretionary	-42	-47	-43	-42	-45
(i) Enterprise Zones	-	-	-	-	-65
Net Yield after reliefs	19,576	20,138	20,061	21,547	23,134
(ii) Collection costs/reductions to contributions					
(a) Costs of collection	-84	-85	-85	-84	-84
(b) Losses on collection	-215	-238	-230	-215	-179
(c) City of London offset	-	-10	-10	-10	-10
Total contribution in respect of year	19,277	19,805	19,736	21,239	22,861
(iii) Prior year adjustments					
(a) Interest on repayments	-48	-40	-39	0	0
(b) Repayments	-448	-620	-614	0	0
Changes due to Schedule of Payments agreement	-59	-8	1	0	0
Changes due to deferral of Payments	-	-98	0	0	-80
Net Local Yield	18,721	19,039	19,082	21,239	22,781
Income from Central list	1,153	1,171	1,174	1,252	1,322
Income from former crown list	11	11	11	9	11
Total NNDR pool payments ^(c)	19,885	20,221	20,266	22,500	24,114
4. Adjustments					
Calibration adjustment	-	-	-	-1,132	-1,225
Surplus brought forward	-1,010	-1,625	-904	-2,138	230
Combined total	18,875	18,596	19,362	19,230	23,119
Distributable Amount ^(d)	20,500	19,500	21,500	19,000	23,119
Surplus carried forward	-1,625	-904	-2,138	230	0

Source: NNDR1, 2 and 3 returns

(a) Figures shown are those used in the calculation of the Distributable Amount for 2012-13 in the autumn of 2011.

Some of them have changed since then.

(b) The introduction of the Rating (Empty Properties) Act 2007 has altered the amount of relief allowable for empty properties in 2008-09 and subsequent years. The figures reflect the estimates of the amount of relief that will be given for both empty and partially occupied properties.

(c) Calculated by adding income from local lists, income from central list and income from former crown list.

(d) The calculation involves estimating several figures that are inherently difficult to forecast accurately, such as the gross rate yield and prior year adjustments. Up to and including 2011-12 the resulting figures were rounded reflecting the uncertainty caused by these elements of the calculation. No rounding took place for 2012-13.

2.4 Revenue grants

- 2.4.1 The main non-housing revenue grants are referred to collectively as **Aggregate External Finance (AEF)**. AEF includes **Revenue Support Grant (RSG)**, **redistributed non-domestic rates** and certain specific grants. From 2003-04, redistributed non-domestic rates, RSG and Police Grant (where appropriate) were distributed together as **Formula Grant**. Specific grants are distributed by individual government departments. From 2008-09 to 2010-11 **Area Based Grant (ABG)** was distributed to local authorities. This was a general grant allocated directly to local authorities as additional revenue funding to areas. It was allocated according to specific policy criteria rather than general formulae. Local authorities were free to use all of this un-ringfenced funding as they saw fit to support the delivery of local, regional and national priorities in their areas. From 2011-12 a new un-ringfenced general grant called Local Services Support Grant was set up. All local authorities in England voluntarily froze or reduced their council tax in 2011-12 and as a result qualified to receive an additional council tax freeze grant equivalent to a 2.5% increase in their Band D council tax in each year of the Spending Review. This grant amounted to £625 million in 2011-12 and is included in specific and special grants in Table 2.4a below.
- 2.4.2 AEF does not include housing subsidy, which is administered and recorded separately, as part of the **Housing Revenue Account (HRA)**. See **Chapter 3** for further details of housing subsidy.

- In 2010-11, central government grants amounted to £79.3 billion. In 2011-12, a large number of grants, previously in specific grants inside AEF and Area Based Grant, moved to Formula Grant and Local Services Support Grant. In 2011-12 total central government grants funding was estimated at £74.3 billion, which is a reduction of 6.2%.

Table 2.4a: Aggregate External Finance provided to local authorities 2006-07 to 2011-12

	£ million					
	2006-07	2007-08	2008-09 (R)	2009-10	2010-11	2011-12 (B)
Formula Grant	24,820	25,639	27,496	28,269	29,012	29,436
of which						
Revenue Support Grant ^(a)	3,378	3,105	2,854	4,501	3,122	5,873
Redistributed non-domestic rates	17,506	18,506	20,506	19,515	21,517	19,017
Police grant	3,936	4,028	4,136	4,253	4,374	4,546
Specific & special grants	41,741	44,485	42,920	45,639	45,828	44,649
Area Based Grant (ABG)	-	-	3,050	3,314	4,363	-
Local Services Support Grant (LSSG)	-	-	-	-	-	189
City of London offset	-	-	-	-	-	-
General GLA grant	38	38	48	48	48	63
Total Grants To Local Authorities	66,598	70,162	73,514	77,271	79,252	74,337

Source: Revenue Summary (RS) returns and Revenue Account (RA) budget returns

(a) Comparisons across years may not be valid owing to changing local authority responsibilities and methods of funding

- The average grant per head towards revenue expenditure in 2010-11 was £1,517.
- At a regional level, figures varied from £1,149 per head in the South East to £1,635 in the North East and £2,337 in London.

Table 2.4b: Grants towards revenue expenditure by region 2010-11

	£ million									
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England
Formula Grant	1,813	4,477	3,101	2,181	3,239	2,391	6,492	3,119	2,200	29,012
<i>of which</i>										
Revenue Support Grant	203	492	341	238	355	255	677	324	236	3,122
Redistributed non-domestic rates	1,400	3,390	2,348	1,642	2,442	1,759	4,678	2,234	1,624	21,517
Police grant	210	595	411	301	442	377	1,137	560	340	4,374
Specific & special grants	2,149	6,079	4,338	3,391	4,646	4,310	10,938	6,213	3,765	45,828
Area Based Grant	300	760	484	340	486	345	808	460	381	4,363
General GLA Grant	0	0	0	0	0	0	48	0	0	48
Total	4,262	11,316	7,922	5,912	8,371	7,046	18,286	9,791	6,345	79,252
Amounts per head										£ per head
Formula Grant	696	646	585	487	594	410	830	366	417	555
<i>of which</i>										
Revenue Support Grant	78	71	64	53	65	44	87	38	45	60
Redistributed non-domestic rates	537	489	443	366	448	302	598	262	308	412
Police grant	81	86	78	67	81	65	145	66	64	84
Specific & special grants	824	876	818	757	852	739	1,398	729	714	877
Area Based Grant	115	110	91	76	89	59	103	54	72	84
General GLA Grant	0	0	0	0	0	0	6	0	0	1
Total	1,635	1,632	1,494	1,319	1,535	1,208	2,337	1,149	1,203	1,517

Source: Revenue Summary (RS) returns and ONS mid-year 2010 population estimates

- 2.4.3 Formula Grant is provided to local authorities on an un-ringfenced basis and so can be spent on any service. From 1990-91 to 2002-03, it was allocated to local authorities through **Standard Spending Assessments (SSA)** system and from 2003-04 to 2005-06, Formula Grant was allocated to authorities using the **Formula Spending Shares (FSS)** system. Since 2006-07 Formula Grant has been distributed to local authorities by means of system that concentrates on the actual cash grant for local authorities rather than notional figures for spending and local taxation.

Under the current system, formula grant is largely allocated on the socio-economic and demographic characteristics of authorities, together with a measure of the authority's ability to raise council tax locally i.e. the number of band-D equivalent properties within its area. The same formulas are applied to all authorities that provide the same services and the best data are used that are available on a consistent basis across all authorities. Every authority is guaranteed to receive at least a minimum percentage increase year-on-year (the 'floor') on a like-for-like basis i.e. after adjusting for changes in funding and function. In order to pay for the cost of the floor, the increase above the floor for all other authorities is scaled back.

- 2.4.4 A break-down of specific grants by service area is not shown as most specific grants are un-ringfenced, meaning local authorities can spend the grant across several services. Further information on specific grants in 2010-11 (outturn figures) and 2011-12 (budget figures) are given in **Tables C2b, C2d and C4b** of **Annex C**, available online.

2.5 Sales, fees and charges

2.5.1 Sales, fees and charges are the amounts received by local government as a result of providing a service. They vary widely between services in both the amount of money involved, and their nature, for example library fines and planning application fees.

- Sales, fees and charges, excluding external trading accounts, totalled £11.7bn in 2010-11, down slightly from £11.9bn in 2009-10.

Table 2.5a: Sales, fees and charges by service area 2006-07 to 2010-11 ^(a)

	£ million				
	2006-07	2007-08	2008-09	2009-10	2010-11
Education	2,025	2,049	2,298	2,220	2,126
Highways and transport	1,858	2,126	2,078	2,175	2,063
<i>of which:</i>					
<i>Highways</i>	206	231	208	214	240
<i>Public and other transport</i>	1,652	1,895	1,870	1,961	1,823
Social Care	2,282	2,331	2,446	2,617	2,718
Housing (excluding Housing Revenue Account)	637	593	619	685	555
Cultural, environmental and planning	2,348	2,443	2,529	2,543	2,541
<i>of which:</i>					
<i>Cultural</i>	829	866	919	935	915
<i>Environmental</i>	810	852	887	929	954
<i>Planning and development</i>	710	726	722	678	672
Police	362	391	455	426	447
Fire	37	39	27	29	35
Central services	1,077	1,063	1,053	1,132	1,125
Other	116	132	102	98	85
Total all services	10,742	11,166	11,607	11,925	11,694
External Trading Accounts	752	736	965	933	902
Total	11,495	11,902	12,573	12,859	12,597

Source: Revenue Outturn (RO) returns - RSX and TSR

(a) Sales, fees and charges for General Fund only.

2.5.2 **Table 2.5b** shows the distribution by value and class of authority of the sales, fees and charges received by local authorities in 2009-10.

- None of the London boroughs, metropolitan districts and shire counties have income from sales fees and charges below £20m. However, most shire districts and other authorities have less than £20m.

Table 2.5b: Sales, fees and charges by class of authority 2010-11

Number of Authorities							
Band (£ million)	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	England
less than 1	0	0	1	0	3	37	41
1 up to 5	0	0	0	0	75	30	105
5 up to 10	0	0	1	0	88	14	103
10 up to 20	0	0	7	0	30	3	40
20 up to 50	8	21	30	0	5	6	70
50 and above	25	15	17	27	0	1	85
Total	33	36	56	27	201	91	444

Source: Revenue Outturn (RSX) returns

Table 2.5c shows the service areas of sales, fees and charges over £200m (in 2010-11) for 2006-07 to 2010-11.

- In 2010-11, 'Older people including older mentally ill' is the service area with the highest sales, fees and charges of £2.0bn.
- In 2010-11 income from sales fees and charges for 'Older people including older mentally ill' and 'Total Police Services' increased by 5% whereas 'Secondary schools' decreased by 12% compared to 2009-10.

Table 2.5C Sales, fees and charges by service area over £200m from 2006-07 to 2010-11

	2006-07	2007-08	2008-09 (R)	2009-10 (R)	£ million 2010-11
Older people (aged 65 or over) including older mentally ill	1,705	1,741	1,814	1,935	2,033
Secondary schools	807	840	935	919	807
Primary schools	689	707	795	787	790
Management and Support Services ^(a)	714	687	729	769	751
On-street parking	600	666	664	682	662
<i>of which:</i>					
On street parking: other sales, fees and charges income	303	333	352	343	346
On-street parking: Penalty Charge Notice income	297	333	312	339	316
Off-street parking	572	604	595	598	586
Total Police Services	362	391	455	426	447
Sports and recreation facilities, including golf courses	353	351	373	378	368
Congestion charging	253	328	326	313	323
Adults aged under 65 with learning disabilities	243	264	302	311	304
Development control	255	254	243	220	228
Economic development	211	219	246	244	218
Cemetery, cremation and mortuary services	177	187	197	205	212
Other	3,801	3,927	3,934	4,139	3,965
Total	10,742	11,166	11,607	11,925	11,694

Source: Revenue Outturn (RO) returns

(a) This includes recharges within central services, recharges to general fund revenue account (excluding central services), recharges to central government.

CHAPTER 3

How is the money spent? – Revenue spending and how it is financed

3.0.1 This chapter describes the pattern and trends in revenue spending by local authorities and how it is financed. It is divided into the following sections:

- | | |
|--|-------------|
| • General Fund Revenue Account and expenditure definitions | section 3.1 |
| • Revenue expenditure and financing | section 3.2 |
| • Pattern of spending by region and class of authority | section 3.3 |
| • Labour, goods and services purchased | section 3.4 |
| • Capital charges | section 3.5 |
| • Revenue reserves | section 3.6 |
| • External trading services | section 3.7 |
| • Housing Revenue Account | section 3.8 |

3.0.2 Revenue spending by local authorities is mainly for:

- meeting employee costs such as the salaries of staff
- procurement costs, such as transport, fuel and building maintenance
- levies paid to other local authorities which provide a service for example, a metropolitan district pays a waste disposal authority
- payment of awards/benefits on behalf of central government for example, mandatory rent allowances
- recharges to other accounts

Such spending is often referred to as current or revenue expenditure, in order to distinguish it from capital spending. However, the terms **current expenditure** and **revenue expenditure** also have particular meanings in the context of local government finance – see **section 3.1**.

3.0.3 Detailed figures on revenue account spending for 2010-11, along with budgeted estimates for 2011-12, can be found in **Annex C**, available online.

3.1 General Fund Revenue Account and Expenditure definitions

3.1.1 **Current expenditure** is the cost of running local authority services within the financial year. This includes the costs of staffing, heating, lighting and cleaning, together with expenditure on goods and services consumed within the year. This expenditure is offset by income from **sales, fees and charges** and other (non-grant) income, which gives **net current**

expenditure. This definition can be used to describe expenditure on individual services. Net current expenditure includes that expenditure financed by specific government grants within and outside **Aggregate External Finance (AEF)**. This definition of net current expenditure is useful, as it is similar to the National Accounts' concept of current expenditure on goods and services.

- 3.1.2 The term **revenue expenditure** is used to describe expenditure funded from AEF, **council tax**, and authorities' reserves. Revenue expenditure is equal to net current expenditure plus capital financing costs and a few minor adjustments, but excluding expenditure funded by grants outside AEF and income from interest receipts. Revenue expenditure is a familiar and widely used measure of expenditure. It is used particularly in the context of funding of local government expenditure.
- 3.1.3 **Net revenue expenditure** is revenue expenditure excluding that funded by all **specific grants** except Police Grant.
- 3.1.4 Expenditure on individual services has traditionally been collected on a Net Current Expenditure basis. Following an initiative by the Chartered Institute of Public Finance and Accounting (CIPFA) enshrined in the *Best Value Accounting Code of Practice (BVACOP)*, authorities were instructed to complete final accounts on what is called a **Financial Reporting Standard 17 (FRS17)** basis from 2003-04 up until 2009-10. From 1st April 2010 local authority accounts were prepared on the basis of International Financial Reporting Standard (IFRS). As a result local authorities were instructed to complete final accounts for each of their public services on an **International Accounting Standard 19 (IAS19)** and PFI 'off-balance' sheet basis.
- 3.1.5 The move to the IFRS based code implied that employee costs included in total expenditure complied with IAS19 Employee Benefits; where local authorities accounted for employee benefits when they became committed to give them, even if the actual payment of benefits will be many years in the future. IAS19 therefore requires that pension costs be accounted for as employees work the years of service that give them a right to a pension when they retire. For both FRS17 and IAS19 basis, revenue expenditure is financed by appropriations from pension reserves in addition to appropriations from other financial reserves, Revenue Support Grant, National Non-Domestic rates, Police Grant and Council Tax.
- 3.1.6 For national accounts purposes, local authorities were requested to provide service expenditure for each of their public functions on both a non-FRS17 and FRS17 basis on their *Revenue Summary (RS)* and *Revenue Accounts (RA) Budget* returns.
- 3.1.7 Where relevant, each of the tables in this chapter has footnotes to show whether the data in the table are on a FRS17 or non-FRS17 / non-IAS19 basis. For **Annex C** all the data are on a non-FRS17 / non-IAS19 basis unless otherwise stated.

3.2 Revenue expenditure and financing

3.2.1 Recent trends in revenue spending by broad service group and how it has been financed are shown in summary form in **Table 3.2a** and **Chart 3.2b**.

- Net current expenditure on services totalled £121.3bn in 2010-11 compared with £103.3bn in 2006-07, an increase of 17%.
- There has been one major change in the definition of net current expenditure between 2010-11 and 2006-07. The change involves reporting the net current expenditure on a non-Financial Reporting Standard 17 (FRS17) basis while 2006-07 figures accounted for retirement benefits (pensions) in their service expenditure in accordance with FRS17. If we remove FRS17 from 2006-07, then the comparable net current expenditure on a non-FRS17 basis for 2010-11 is £121.3bn and 2006-07 is £101.9bn, an increase of 19%.
- 37% of net current expenditure in 2010-11 was on education and 17% on social care.
- Capital financing costs in 2010-11 amounted to £4.1bn, compared to £3.0bn in 2006-07.
- In 2010-11, £2.6bn of capital expenditure was charged to the revenue account, up from £1.1bn in 2006-07, with Greater London Authority accounting for almost all of the increase.
- Other non-current expenditure in 2010-11 was £4.3bn, which includes the payment of council tax benefit, discretionary non-domestic rate relief, flood defence payments to the Environment Agency and bad debt provision. This is netted off by income from specific grants outside Aggregate External Finance.

Table 3.2a: General fund revenue account: outturn 2006-07 to 2010-11 and budget 2011-12

	£ million					
	2006-07 ^(a)	2007-08 ^(a)	2008-09 ^(a)	2009-10 ^(b)	2010-11 ^(c)	2011-12 ^(c)
	(B)					
Education ^(d)	37,942	40,135	42,148	44,471	45,362	43,002
Highways and transport	5,316	5,634	5,679	6,541	5,669	5,602
Social care ^{(e), (f)}	18,108	18,587	19,604	20,963	21,062	21,201
Housing (excluding Housing Revenue Account) ^(g)	14,963	15,841	16,964	20,022	21,032	20,787
Cultural, environmental and planning	9,658	10,143	10,474	11,083	10,675	9,796
Police	11,542	11,704	11,555	12,022	11,948	11,840
Fire & rescue	2,193	2,233	2,104	2,177	2,165	2,224
Central services ^(h)	3,492	3,596	3,846	3,771	3,608	3,525
Other ⁽ⁱ⁾	128	369	643	9	-267	82
Appropriations to (+) / from (-) accumulated absences account	-	-	-	-	64	-
Reversal of revenue expenditure funded from capital under statute (RECS) ^(j)	-	-	-	-1,883	-	-
Total net current expenditure	103,341	108,243	113,018	119,176	121,319	118,059
Capital financing	2,993	3,008	2,971	3,710	4,135	4,202
Capital Expenditure charged to Revenue Account	1,103	1,096	1,706	1,964	2,598	1,171
Other non-current expenditure ^(k)	3,350	3,448	3,660	4,089	4,306	4,247
Pension Interest Costs (FRS17)	4,534	4,808	7,042	-	-	-
Appropriation to/from Pension Reserves (FRS17)	-6,025	-5,595	-6,395	-	-	-
Appropriations to(+)/ from(-) financial instruments adjustment account	-	-	-135	32	15	2
Appropriations to(+)/ from(-) unequal pay back pay account	-	-	-64	24	-	10
Private Finance Initiative (PFI) schemes - difference from service charge	-	-	-	18	38	34
less Interest receipts	1,481	1,862	1,926	780	663	390
less Specific grants outside AEF	19,643	20,762	21,772	24,958	27,191	25,229
less Business rates supplement	-	-	-	-	222	222
Revenue expenditure (Non-FRS17 / Non-IAS19)	88,172	92,384	98,107	103,276	104,334	101,885
less Specific grants inside AEF	41,741	44,485	42,920	45,639	45,828	44,649
less Area Based Grant (ABG)	-	-	3,050	3,314	4,363	-
less Local Services Support Grant	-	-	-	-	-	189
Net revenue expenditure	46,432	47,899	52,137	54,323	54,143	57,048
Appropriation to/from Reserves (excluding Pension Reserves)	974	1,497	248	-308	1,261	-971
Other adjustments	16	2	2	1	-23	-1
Budget requirement	47,421	49,398	52,387	54,016	55,380	56,076
Revenue Support Grant	-3,378	-3,105	-2,854	-4,501	-3,122	-5,873
Redistributed non-domestic rates	-17,506	-18,506	-20,506	-19,515	-21,517	-19,017
Police grant	-3,936	-4,028	-4,136	-4,253	-4,374	-4,546
General Greater London Authority Grant	-38	-38	-48	-48	-48	-63
Other items	-111	-112	-85	-65	-65	-126
Council tax requirement	22,453	23,608	24,759	25,633	26,254	26,451

Source: Revenue Summary (RS) returns 2006-07 to 2010-11, Revenue Account (RA) budget return 2011-12.

(a) Produced on a Financial Reporting Standard 17 (FRS17) basis.

(b) Produced on a non-FRS17 and PFI off-balance sheet basis

(c) Produced on a non-IAS19 and PFI off-balance sheet basis (IAS19 replaces the previous FRS17 accounting system)

(d) Includes mandatory student awards and inter-authority education recoupment.

(e) Includes supported employment.

(f) Adult social care for 2011-12 is not comparable to previous years due to a change in responsibility between NHS and local government for adults with learning disabilities, where from 1st April 2011 the transfer of funding was made directly from Department for Health to LA's, where they now receive a new non-ring fenced grant which amounts to £1.2 billion in 2011-12.

(g) Includes mandatory rent allowances, rent rebates granted to HRA tenants.

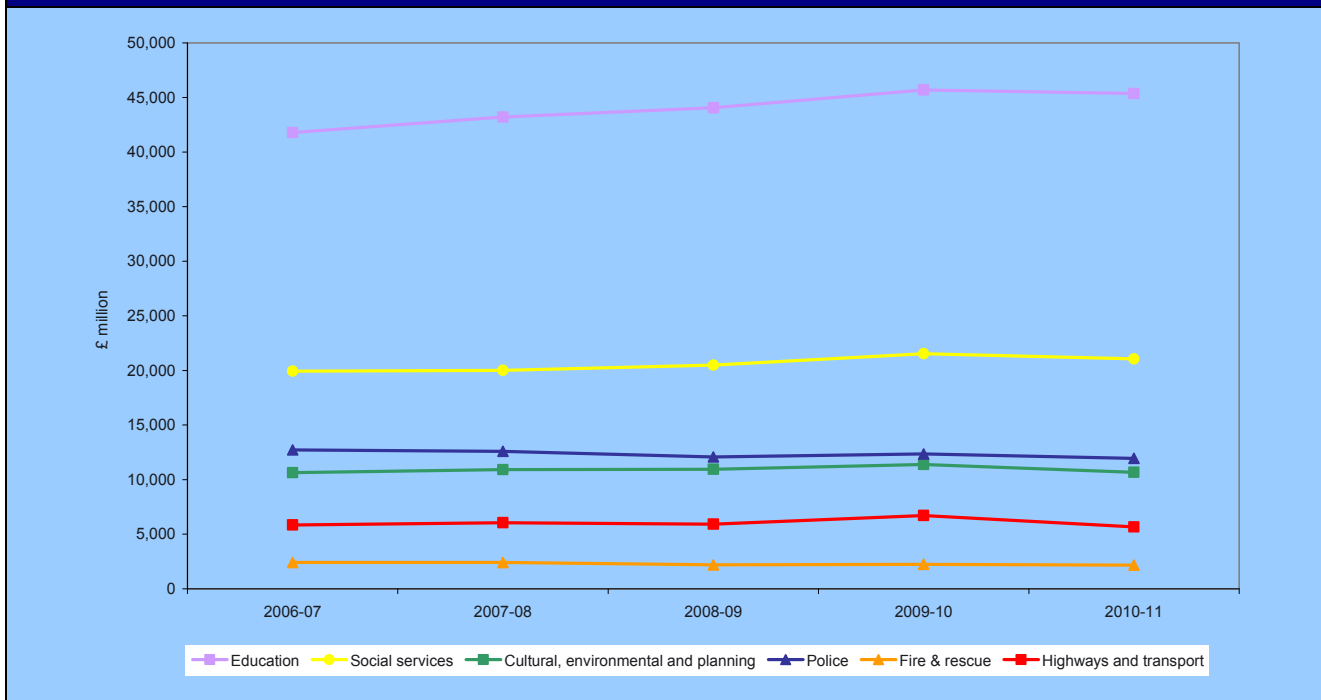
(h) Court services were previously included as a separate service and have now been integrated with central services.

(i) The 2009-10 & 2010-11 'other services' line now includes capital charges for internal and external trading services, therefore total net current expenditure has been adjusted, for both years, to account for this.

(j) Net current expenditure estimates for 2009-10 are not fully comparable to 2010-11 figures owing to revenue expenditure funded from capital by statute (RECS) distributed across all services. Furthermore 2010-11 net current expenditure figures include liabilities for short term accumulated compensated absences (e.g. untaken annual leave entitlement), distributed across all the services, which makes comparisons against previous years not fully comparable. However total net current expenditure has been adjusted for both 2009-10 and 2010-11 so that they can be compared.

(k) Includes: (i) gross expenditure on council tax benefit, (ii) discretionary non-domestic rate relief, (iii) flood defence payments to the environment agency, (iv) bad debt provision.

Chart 3.2b: Trends in net current expenditure (at 2010-11 prices)



3.2.2 **Table 3.2c** shows expenditure on the main services that take place through the **General Fund Revenue Account** in 2010-11. **Chart 3.2d** shows the percentage of expenditure by service in 2010-11. Recharges of administration and support services within the accounts have been excluded to remove double-counting. A detailed breakdown of expenditure and income can be found in **Annex C**, available online.

Table 3.2c: Current expenditure by service 2010-11 (a)

	EXPENDITURE					INCOME ^(b)					£ million
	Running expenses					Sales, fees and charges	Other income	Recharges	Total income		
	Employees	Procurement	Levies and transfers	Recharges	Total running expenses						
										Total expenditure	
Education	32,418	18,483	0 ^(c)		18,483	50,901	2,126	3,413	5,539	45,362	
Highways and transport	1,329	7,186	0 ^(d)		7,186	8,515	2,063	783	2,846	5,669	
Social services	7,187	19,805			19,805	26,992	2,718	3,212	5,930	21,062	
Housing (excluding Housing Revenue Account)	786	2,681	18,550	-2 ^(e)	21,230	22,016	555	429	983	21,032	
Cultural, environmental and planning	4,856	10,147	0 ^(f)		10,147	15,003	2,541	1,786	4,327	10,675	
of which:											
Cultural	1,826	2,892			2,892	4,718	915	526	1,441	3,278	
Environmental	1,760	5,135	0 ^(f)		5,135	6,895	954	739	1,693	5,201	
Planning and development	1,271	2,119			2,119	3,390	672	521	1,193	2,197	
Police	10,763	2,176			2,176	12,940	447	545	992	11,948	
Fire & rescue	1,742	509			509	2,250	35	51	86	2,165	
Central services	6,278	7,150	382 ^(g,h)		7,532	13,810	1,125	2,094	10,202	3,608	
Other services	176	365	- 50 ⁽ⁱ⁾	-335 ⁽ⁱ⁾	-19	157	85	339	423	-267	
Administration recharges		-6,982 ^(k)			-6,982	-6,982		-6,982	-6,982		
Appropriations to/from accumulated absences accounts				64	64	64			0	64	
Total net current expenditure	65,534	61,520	18,883	-272	80,131	145,665	11,694	12,652	0	121,319	
Non-current expenditure											
Discretionary Non-Domestic Rate relief					29						
Flood defence payments to the Environment Agency					30						
Bad debt provision					102						
Leasing payments					38						
Total running expenses carried to Table 1.6b					80,330						
Source: Revenue Outturn (RO) and Revenue Summary (RS) returns											
(a) Produced on a non-IAS19 and PFI off-balance sheet basis (IAS19 replaces the previous FRS17 accounting system)											
(b) This income includes sales, fees and charges, payments from other local authorities and non-government organisation grants. It does not include central government grants, council tax, interest receipts or appropriations from reserves.											
(c) Includes payment of mandatory student awards											
(d) Integrated Transport Authority Levy											
(e) Negative subsidy entitlement from Housing Revenue Account (HRA) and other revenue account contributions to/from the HRA.											
(f) Waste disposal authority levy.											
(g) Net current expenditure on London Pensions Fund Authority levy.											
(h) Parish precepts (see Annex A3)											
(i) Other levies.											
(j) Net surplus/deficit and capital charges accounted for in internal and external trading accounts.											
(k) Administration recharge expenditure within the general fund is recorded twice; alongside the individual service and also as a central services recharge. To ensure the expenditure is recorded only once, the recharge has been subtracted.											

Source: Revenue Outturn (RO) and Revenue Summary (RS) returns

(a) Produced on a non-IAS19 and PFI off-balance sheet basis (IAS19 replaces the previous FRS17 accounting system)

(b) This income includes sales, fees and charges, payments from other local authorities and non-government organisation grants. It does not include central government grants, council tax, interest receipts or appropriations from reserves.

(c) Includes payment of mandatory student awards

(d) Integrated Transport Authority Levy

(e) Negative subsidy entitlement from Housing Revenue Account (HRA) and other revenue account contributions to/from the HRA

(f) Waste disposal authority levy.

(g) Net current expenditure on London Pensions Fund Authority levy.

(h) Parish precepts (see Annex A3)

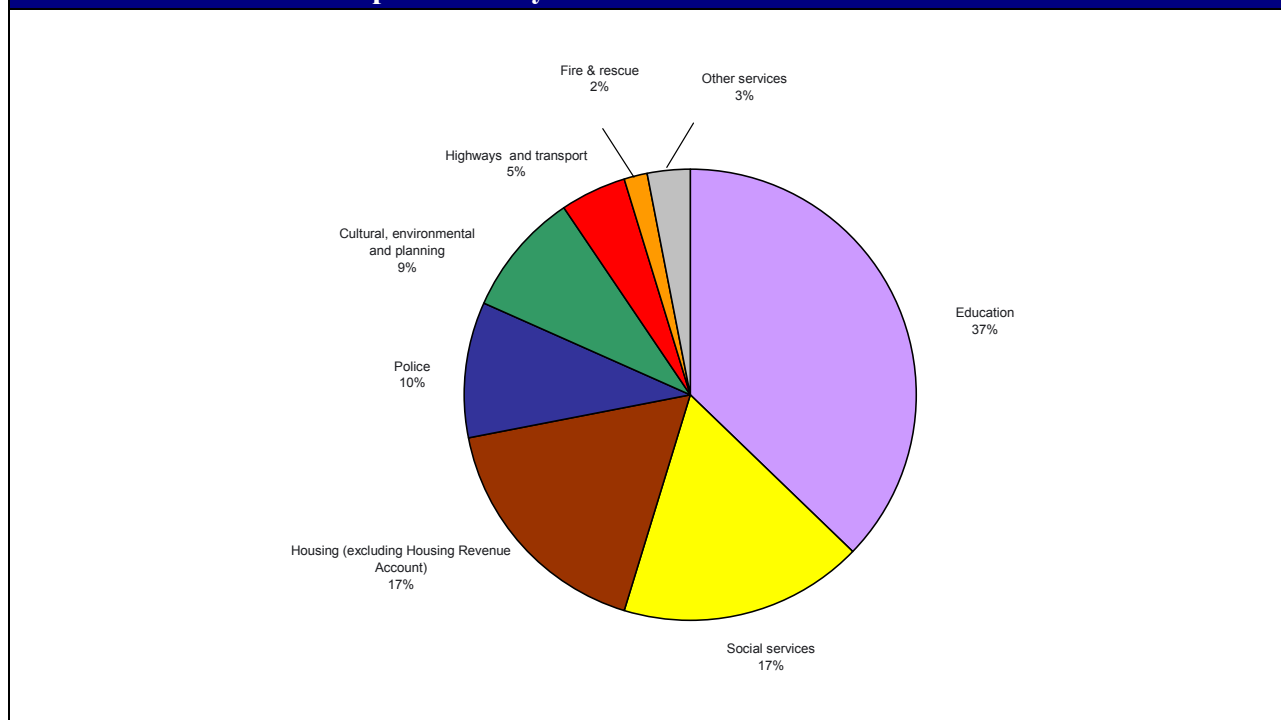
(i) Other levies.

(j) Net surplus/deficit and capital charges accounted for in internal and external trading accounts.

(k) Administration recharge expenditure within the general fund is recorded twice; alongside the individual service and also as a central services recharge.

To ensure the expenditure is recorded only once, the recharge has been subtracted.

Chart 3.2d: Net current expenditure by service 2010-11



3.2.3 Longer-term trends in local authority revenue expenditure and how it has been financed since 1993-94 are shown in **Table 3.2e** and **Chart 3.2f**, in both cash terms and also in real terms at 2010-11 prices, using the GDP deflator to take account of inflation. Expenditure met by sales, fees and charges and expenditure under other accounts, such as the **Housing Revenue Account (HRA)** are excluded.

3.2.4 Changes and comparisons over time can often be misleading owing to changes in functions that are the responsibilities of local government. The sum of government grants, redistributed non-domestic rates and council tax does not normally exactly equal revenue expenditure because of the use of reserves.

- Revenue expenditure, in cash terms, has increased by 151% (more than double) between 1993-94 and 2010-11. The corresponding increase in real terms was 71%.
- In 2010-11, approximately 55% of revenue expenditure was funded through government grants, 25% through council tax and 20% through redistributed non-domestic rates.

Table 3.2e: Financing of revenue expenditure since 1993-94 ^(a)

	Revenue Expenditure ^(b) (£ million)	Government grants ^(c) (£ million)	Redistributed non-domestic rates ^(d) (£ million)	% of total	Council tax ^(e) (£ million)	% of total
Council tax system						
1993-94	41,506	21,685	11,584	52	8,912	21
1994-95	43,602	23,679	10,692	54	9,239	21
1995-96	44,827	23,335	11,361	52	9,777	22
1996-97	46,532	23,003	12,743	49	10,461	22
1997-98	47,256	23,840	12,034	50	11,241	24
1998-99	50,189	25,291	12,531	50	12,332	25
1999-00	53,651	26,421	13,619	49	13,278	25
2000-01	57,329	27,809	15,407	49	14,200	25
2001-02	61,952	31,469	15,144	50	15,246	25
2002-03	65,898	32,634	16,639	50	16,648	25
2003-04	75,244	41,777	15,611	56	18,946	25
2004-05	79,303	45,258	15,004	57	20,299	26
2005-06	84,422	45,838	18,004	54	21,315	25
2006-07	88,172	49,093	17,506	56	22,453	26
2007-08	92,384	51,656	18,506	56	23,608	26
2008-09	98,107	53,007	20,506	54	24,759	25
2009-10	103,276	57,755	19,515	56	25,633	25
2010-11	104,334	57,736	21,517	55	26,254	25

Source: Revenue Summary (RS) returns to 2010-11

(a) Produced on a non Financial Reporting Standard 17 (non-FRS17) and PFI "off-balance" sheet basis.

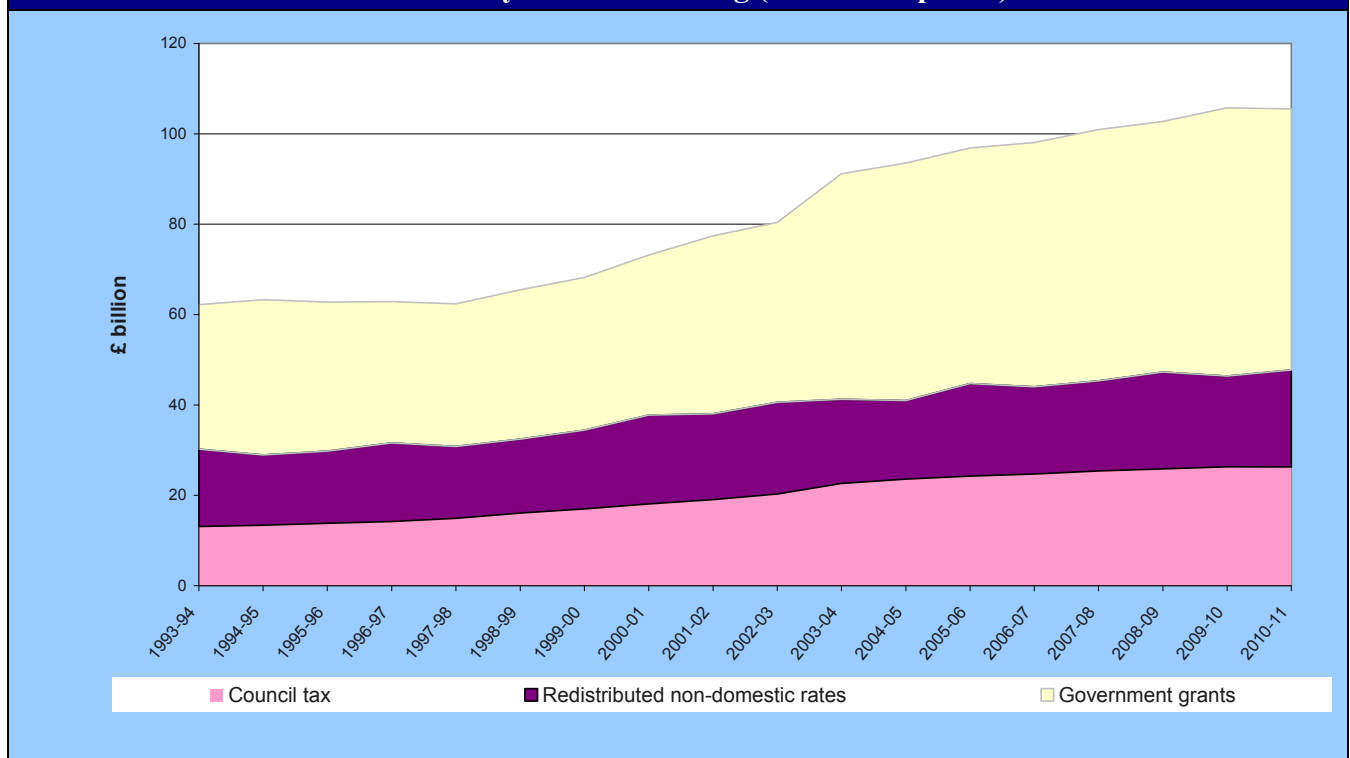
(b) The sum of government grants, business rates and local taxes does not normally equal revenue expenditure because of the use of reserves. The figures shown in the revenue expenditure column are expenditure financed from Revenue Support Grant, specific and special grants within AEF, redistributed non-domestic rates, council taxes and balances. The figures also include spending met by Standard Spending Assessment (SSA) reduction grant (1994-95 to 2001-02), Police grant (1995-96 onwards), Central Support Protection Grant (1999-00 to 2001-02) and General GLA grant (2000-01 onwards).

(c) The figures shown in the Government grants column are Revenue Support Grant and specific and special grants within AEF. In addition, also included are SSA reduction grant (1994-95 to 2001-02), Police grant (1995-96 onwards), Central Support Protection Grant (1999-00 to 2001-02) and General GLA grant (2000-01 onwards).

(d) The figures shown in the redistributed non-domestic rates column include City of London offset from 1993-94 to 2003-04.

(e) The figures shown in the council tax column are gross of council tax benefit and council tax transitional reduction scheme.

Chart 3.2f: Sources of local authority revenue funding (at 2010-11 prices)



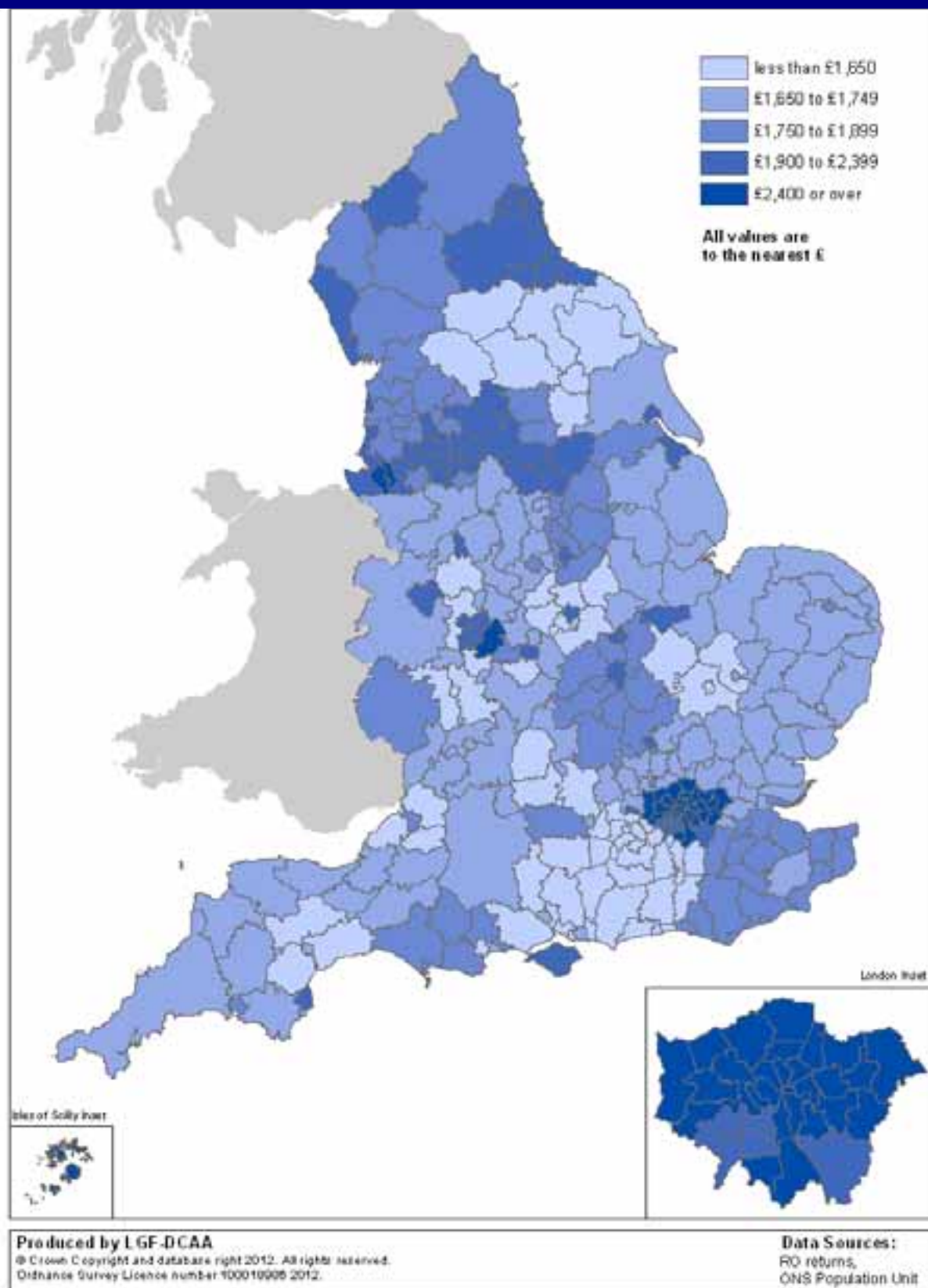
3.2.5 The following three maps illustrate variations in expenditure and funding in 2010-11:

- **Map 3.2g** Revenue expenditure per head
- **Map 3.2h** Central Government finance per head (comprises Central Government Grants and National Non-Domestic Rates)
- **Map 3.2i** Council tax as a proportion of revenue expenditure.

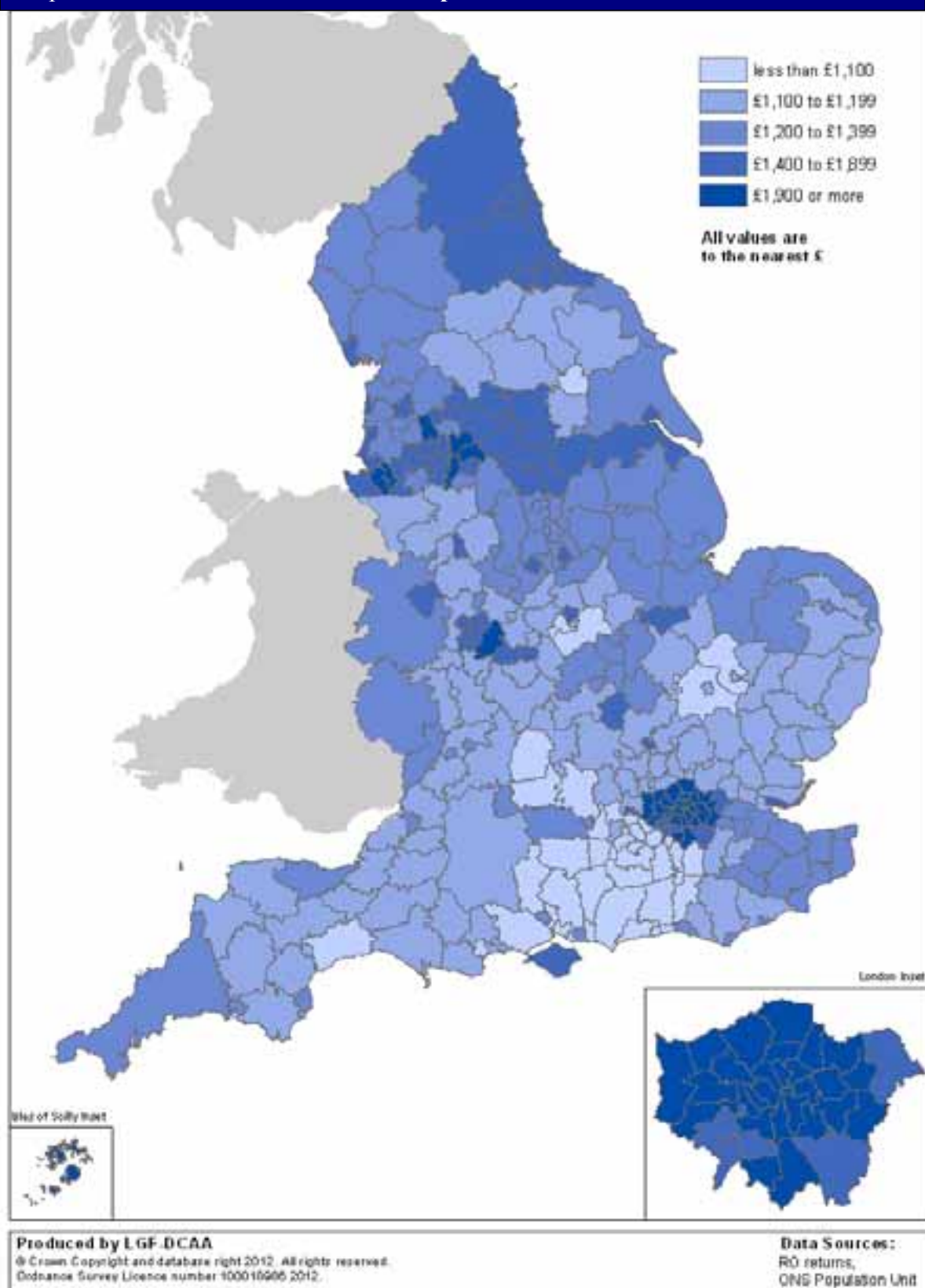
3.2.6 The maps show average expenditure and funding by billing authority. Services, such as police and fire (provided by joint and combined authorities and the Greater London Authority) have been proportioned to each billing authority appointed.

- Revenue expenditure per head is generally high in parts of the North and London. In other regions there is more variation within the region, with many of the lowest levels in the central and southern parts of England.
- The pattern of high revenue expenditure generally reflects high grant levels through Central Government finance, with a lower percentage of revenue raised through council tax in most of these areas.
- The lowest levels of revenue spending are generally in the areas with no large cities and these areas are characterised by lower levels of grant and a higher proportion of revenue raised locally.

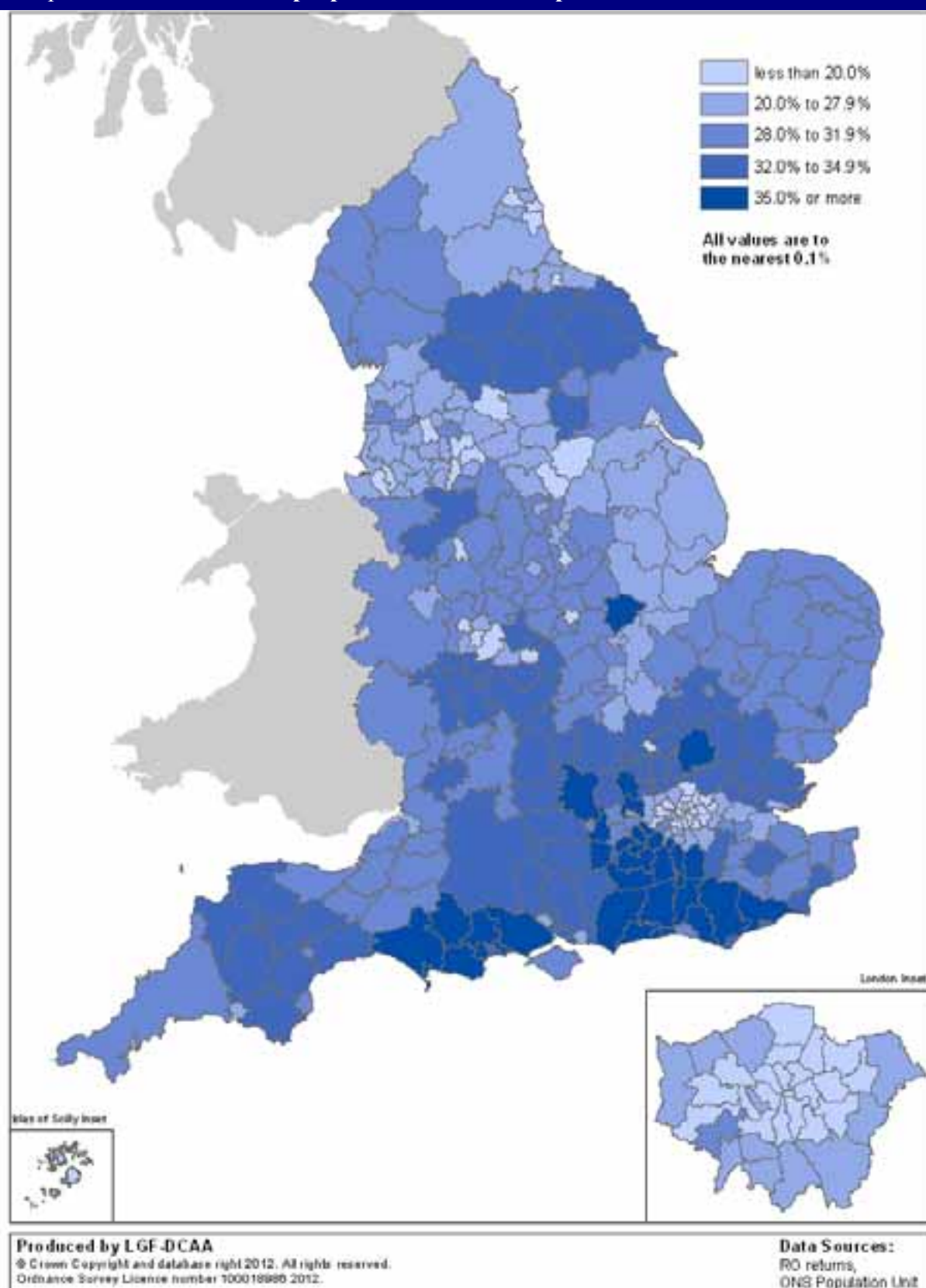
Map 3.2g: Revenue expenditure per head 2010-11



Map 3.2h: Central Government finance per head 2010-11



Map 3.2i: Council tax as a proportion of revenue expenditure 2010-11



3.3 Pattern of spending by region and class of authority

3.3.1 **Table 3.3a** and **Chart 3.3b** shows revenue expenditure per head for each English region.

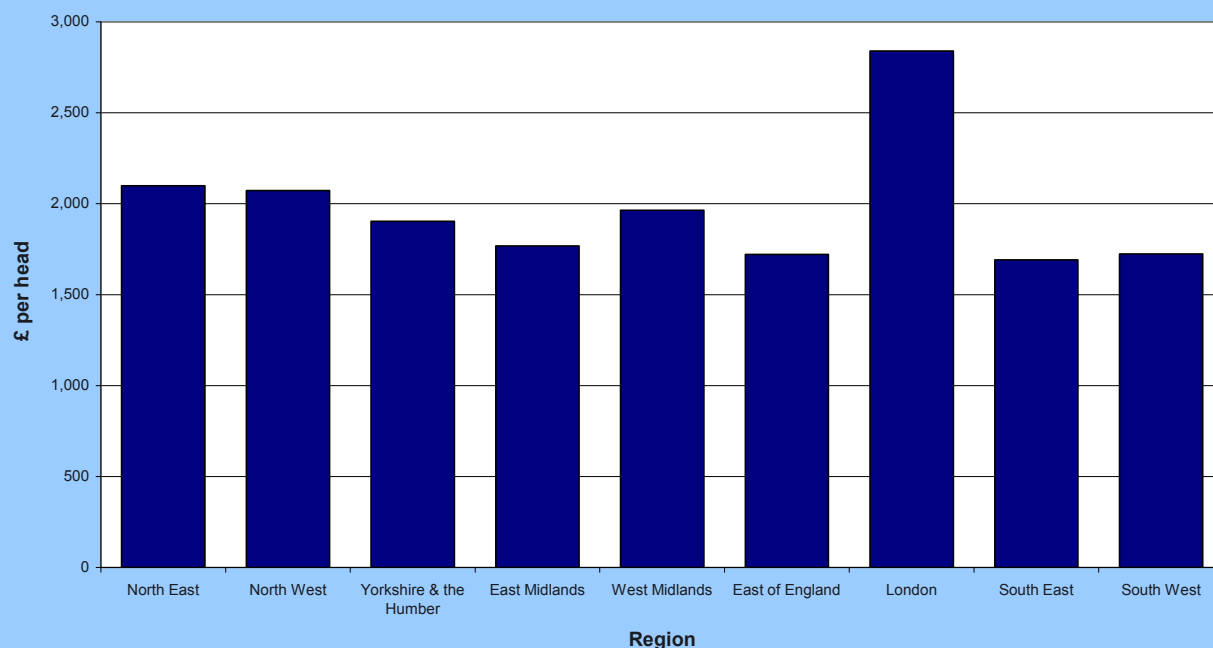
- Revenue expenditure per head is largest in London and other regions where there are major urban areas, and is smallest in the more rural regions.

Table 3.3a: Revenue expenditure per head by region 2010-11

Region	£ per head
North East	2,099
North West	2,072
Yorkshire & the Humber	1,903
East Midlands	1,768
West Midlands	1,964
East of England	1,721
London	2,839
South East	1,692
South West	1,724
England	1,997

Source: Revenue Summary (RS) returns and ONS population estimates mid year 2010.

Chart 3.3b: Revenue expenditure per head by region 2010-11



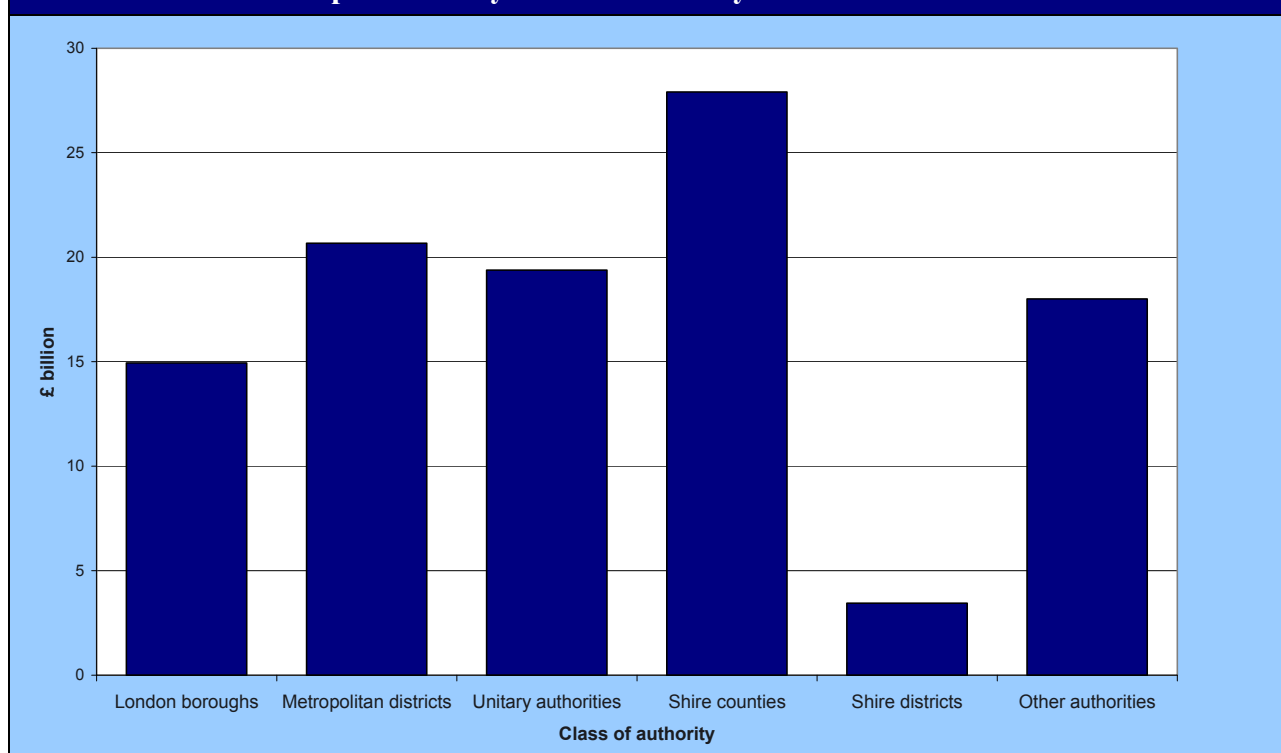
3.3.2 **Table 3.3c** and **Chart 3.3d** shows revenue expenditure for each class of authority in England.

Table 3.3c: Revenue expenditure by class of authority 2010-11

Class of authority	£ billion
London boroughs	15
Metropolitan districts	21
Unitary authorities	19
Shire counties	28
Shire districts	3
Other authorities ^(a)	18

(a) Includes Greater London Authority

Source: Revenue Summary (RS) returns.

Chart 3.3d: Revenue expenditure by class of authority 2010-11

3.3.3 The regional variation in local authority expenditure per head reflects the relative resources available to local authorities, mainly government grant and council tax. In particular, London receives a higher level of grant per head than other regions reflecting its relative needs and high costs. Regional figures for council tax and grants are given in **Chapter 2, sections 2.2 and 2.4**. Detailed breakdowns of patterns of spending by region and class of authority can be found in **Annex tables C3**.

3.3.4 **Table 3.3e** shows the distribution of revenue expenditure for 2010-11 by class of authority.

- All shire counties spend £500m or more a year, while all shire districts spend less than £40m a year.
- All London boroughs and metropolitan districts and most unitary authorities spend £40m or more a year

Table 3.3e: Revenue expenditure by class of authority 2010-11

Band (£ million)	Number of Authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
less than 5	0	0	0	0	0	13	13
5 up to 10	0	0	1	0	14	5	20
10 up to 15	0	0	0	0	61	1	62
15 up to 20	0	0	0	0	70	0	70
20 up to 40	0	0	0	0	56	15	71
40 up to 300	5	1	29	0	0	47	82
300 up to 500	15	21	18	0	0	7	61
500 and above	13	14	8	27	0	3	65
Total	33	36	56	27	201	91	444

Source: Revenue Outturn (RO) returns

3.4 Labour, goods and services purchased

- 3.4.1 Revenue expenditure can also be analysed in terms of the labour, goods and services purchased by local authorities.
- 3.4.2 Since 1998-99 a sample of local authorities have completed the *Subjective Analysis Return* (136 local authorities from 2005-06). This shows how net current expenditure is broken down between pay and the procurement of goods and services. Pay is analysed to show the major pay negotiating groups. Procurement of goods and services is analysed to show goods and services purchased directly and services provided by external contractors (private contractors and voluntary organisations) or internal **trading services (Direct Labour Organisations and Direct Service Organisations)**.
- 3.4.3 **Table 3.4a** shows a time series of this analysis from 2006-07 onwards. Total expenditure on pay and the procurement of goods and services is consistent with *Revenue Outturn* data, but has been adjusted to exclude double counting of expenditure that has been recharged between service blocks within the General Fund Revenue Account, or between one local authority and another. Discretionary transfer payments have also been excluded.
- 3.4.4 Detailed analyses of the *Subjective Analysis Return* for 2010-11 are shown in Annex **Table C1h**, available online.

- In 2010-11, 52% of employee and procurement expenditure was used to pay teachers, police, fire-fighters and other local government workers.
- Of the £65.5bn spent on pay in 2010-11, £20.5bn was used to pay teachers.
- £61.5bn was spent on the procurement of goods and services in 2010-11, of which £29.0bn was paid to external contractors.

Table 3.4a: Labour, goods and services 2006-07 to 2010-11

	£ million					%
	2006-07 ^(a)	2007-08 ^(a)	2008-09 ^(a)	2009-10 ^(b)	2010-11 ^(b)	2010-11
	(R)					
Teachers	19,072	20,104	20,427	20,877	20,457	16
Police	9,484	9,841	10,350	10,501	10,616	8
Firefighters	1,420	1,498	1,480	1,493	1,468	1
Other local government	26,133	27,366	28,920	30,080	30,243	24
Pay related costs	3,719	2,892	1,681	2,668	2,751	2
Total employee expenditure	59,828	61,701	62,858	65,618	65,534	52
Premises related expenditure	6,666	6,891	7,475	7,869	7,348	6
Transport expenditure	2,788	2,911	3,172	3,112	2,979	2
Supplies and services expenditure	16,908	18,210	18,089	20,048	19,096	15
External contractors ^(c)	22,406	23,431	26,228	27,158	28,993	23
Internal trading services	2,573	2,627	2,102	2,866	2,224	2
Other ^(d)	527	524	493	854	881	1
Total procurement expenditure	51,868	54,594	57,559	61,907	61,520	48
Total employee and procurement expenditure	111,696	116,296	120,417	127,525	127,055	100

Source: Subjective Analysis Return (SAR)

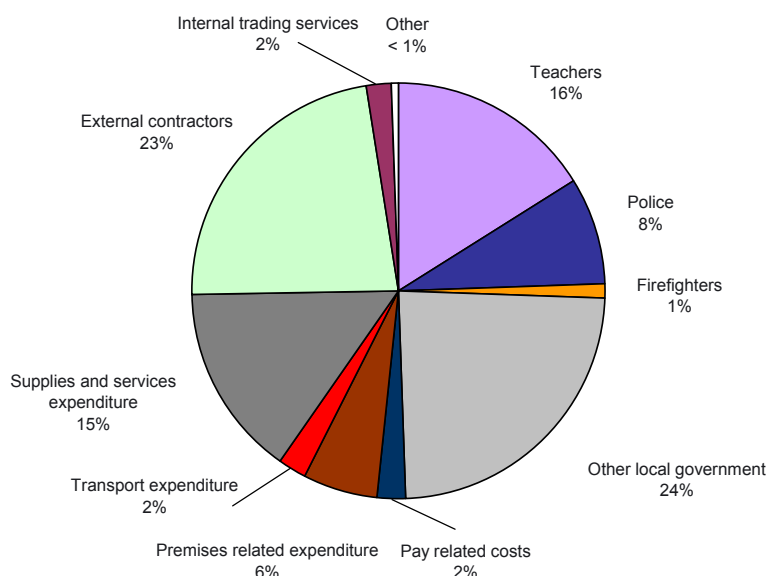
(a) Produced on a Financial Reporting Standard 17 (FRS17) basis.

(b) Produced on a non-FRS17 and PFI "off-balance" sheet basis

(c) Excludes expenditure on inter local authority recoupment (RO1).

(d) Excludes expenditure on concessionary fares and administration and support services recharges (RO2, RO6).

Chart 3.4b: Labour, goods and services 2010-11



3.5 Capital charges

- 3.5.1 For 2010-11, capital charges are limited to **depreciation** and **impairment charges** for **tangible fixed assets**, and the **amortisation charges** for **intangible assets** and **deferred charges**. The charges are reduced by credits representing the amortisation of capital grants used to finance the assets. The interest element that used to represent the opportunity cost of resources tied up in capital assets is no longer included. This change is in accordance with the amended requirements of **CIPFA's Best Value Accounting Code of Practice (BVACOP)** and the SORP as they apply to the 2006-07 onwards financial years.
- 3.5.2 The sum of total expenditure and capital charges gives gross total cost, as defined by BVACOP. This provides the link between expenditure definitions collected on the *Revenue Outturn* forms, and the definition of gross total cost. For more information on expenditure definitions, see the glossary.

- In 2010-11 capital charges represented around 8% of gross total cost.
- Capital charges as a percentage of gross total cost are highest for Highways and Transport services and lowest in Social Services.
- Capital charges have increased from £9.2bn in 2009-10 to £12.7bn in 2010-11. Just over £1.8bn of this increase is in highways and transport, of which around £1bn relates to the Greater London Authority.

Table 3.5a: Capital charges and gross total cost by service 2010-11 ^(a)

	£ million			
	Gross expenditure	Capital charges	Gross total cost	Capital charges as percentage of gross total cost
Education	50,901	5,228	56,129	9.3
Highways and transport	8,515	2,974	11,489	25.9
Social services	26,992	495	27,487	1.8
Housing (excluding Housing Revenue Account)	22,016	491	22,507	2.2
Cultural, environmental and planning	15,003	1,910	16,913	11.3
<i>of which:</i>				
<i>Cultural</i>	4,718	1,012	5,730	17.7
<i>Environmental</i>	6,895	414	7,308	5.7
<i>Planning and development</i>	3,390	484	3,874	12.5
Police	12,940	579	13,519	4.3
Fire & rescue	2,250	168	2,418	6.9
Central services	13,810	675	14,485	4.7
Other services	451	172	624	27.6
Administration charges ^(b)	-6,982	0	-6,982	0.0
Total	145,896	12,693	158,588	8.0

Source: Revenue Outturn (RO) and Revenue Summary returns

(a) Produced on a non Financial Reporting Standard 17 and PFI "off-balance" sheet basis

(b) Administration recharge expenditure within the general fund is recorded twice; alongside the individual service and also as a central services recharge. To ensure the expenditure is recorded only once, the recharge has been subtracted.

3.6 Revenue reserves

3.6.1 Revenue reserves are an accumulation of income, which can be used to finance future spending and to provide working balances. Authorities hold reserves for a variety of reasons including:

- to meet unexpected calls on their resources like the consequences of flooding or of snow and ice on roads
- to act as a cushion against uneven cash flows, to avoid the need for temporary borrowing
- to build up resources to cover certain or probable future liabilities

Table 3.6a shows the level and use of revenue reserves by class of local authority.

3.6.2 The first reason is an important element of authorities' risk management strategies, and decisions on the amount held for this reason should follow a careful assessment of risks faced by an authority and other means by which the risks can be mitigated.

3.6.3 There are three main types of revenue reserves:

- schools' reserves, which represent amounts retained by schools out of their delegated budgets; schools hold these reserves for the same reasons as local authorities
- other earmarked reserves, which have been set aside for other particular purposes

- unallocated reserves, which are intended for general contingencies

3.6.4 In presenting how much finance a local authority has in reserve at any point in time it is normal to exclude schools' reserves as they are not immediately available to a local authority.

- The total level of non-schools revenue reserves at 31 March 2011 was £14.3bn, an increase of £1.6bn from 31 March 2010.

Table 3.6a: Level of revenue reserves by class at 31 March 2011

	Revenue expenditure ^(a)	Revenue reserves				Revenue reserves as a % of revenue expenditure			
		£ million			Non-schools total				Non-schools total
		Schools	Other earmarked	Unallocated		Schools	Other earmarked	Unallocated	
London boroughs	14,941	390	1,842	533	2,375	2.6	12.3	3.6	15.9
GLA	7,277	-	792	230	1,022	-	10.9	3.2	14.0
Metropolitan districts	20,665	471	1,721	529	2,250	2.3	8.3	2.6	10.9
Unitary authorities	19,378	414	1,703	560	2,263	2.1	8.8	2.9	11.7
Shire counties	27,902	783	2,250	568	2,818	2.8	8.1	2.0	10.1
Shire districts	3,444	-	1,226	681	1,908	-	35.6	19.8	55.4
Police authorities	8,867	-	651	400	1,051	-	7.3	4.5	11.9
Fire authorities	1,517	-	189	138	327	-	12.4	9.1	21.5
Other authorities ^(b)	343	-	128	123	251	-	37.3	35.9	73.2
England	104,334	2,057	10,503	3,762	14,265	2.0	10.1	3.6	13.7

Source: Revenue Summary (RS) returns

(a) Revenue Expenditure is on a non Financial Reporting Standard 17 (FRS17) and PFI "off balance" sheet basis. This figure represents the Revenue Expenditure that must be financed from cash backed resources.

(b) Other authorities includes national parks, waste disposal, police, fire and integrated transport authorities.

3.6.5 **Table 3.6b** shows the distribution of non-school revenue reserves by class of authority at 31 March 2011.

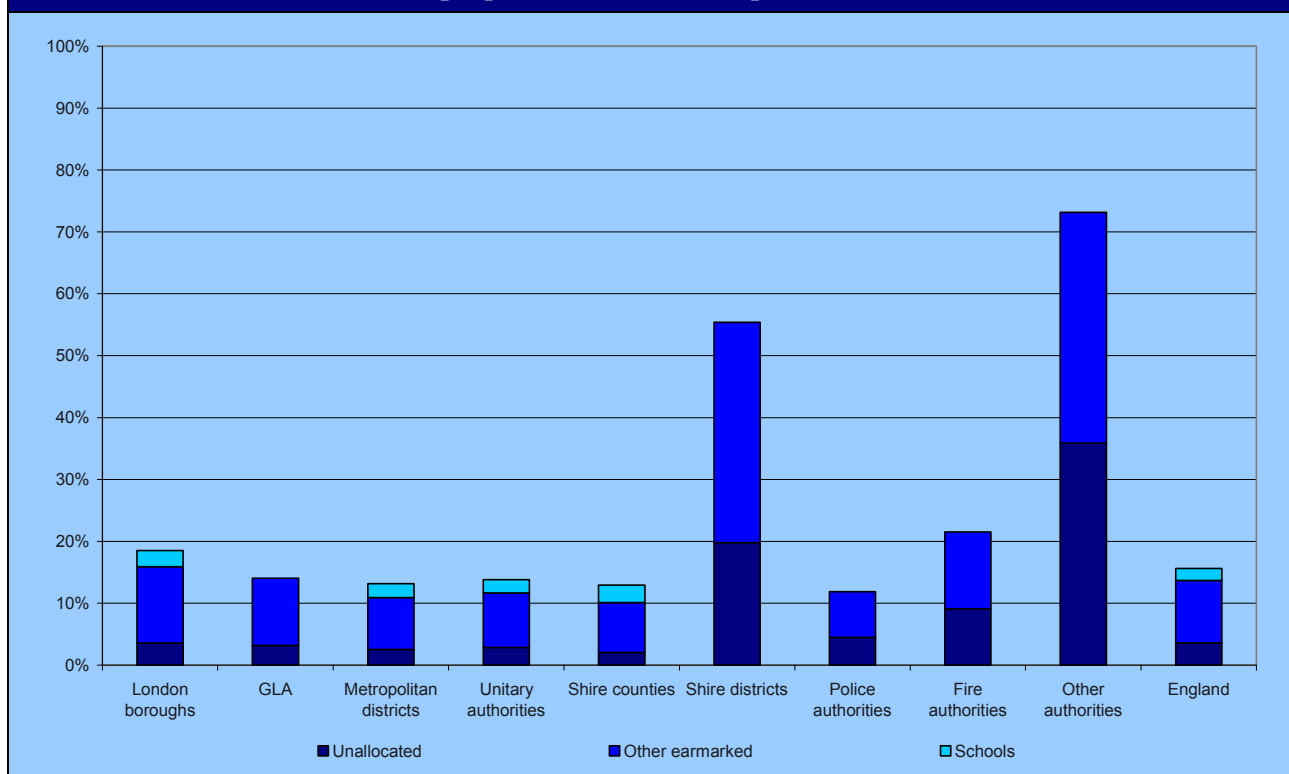
- All shire counties and 32 of 33 London boroughs had non-school revenue reserves of over £20m.
- Over half of shire districts had non-school revenue reserves of less than £10m.

Table 3.6b: Non-school revenue reserves by class of authority at 31 March 2011

Band (£ million)	Number of Authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
Less than 4	0	0	1	0	30	15	46
4 up to 7	0	0	1	0	56	11	68
7 up to 10	0	0	0	0	38	8	46
10 up to 20	1	0	14	0	63	23	101
20 up to 40	7	8	22	1	13	24	75
40 and above	25	28	18	26	1	10	108
Total	33	36	56	27	201	91	444

Source: Revenue Outturn (RO) returns

Chart 3.6c: Revenue reserves as a proportion of revenue expenditure at 31 March 2011



- Non-schools revenue reserves have increased each year since 2002 and amounted to £14.3bn in 2011. This represented 13.7% of revenue expenditure compared to 8.3% in 2002.

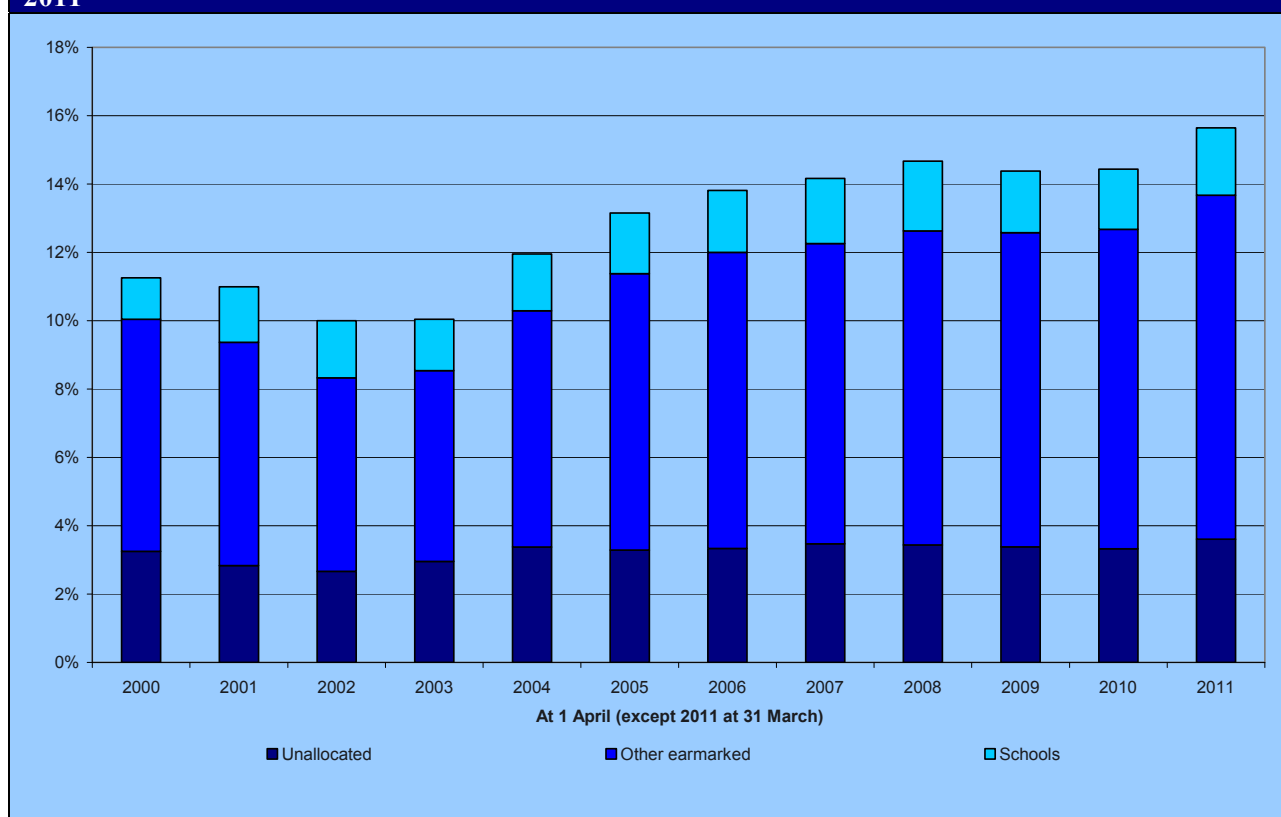
Table 3.6d: Level and use of revenue reserves 1 April 2000 - 31 March 2011

£ million										
Revenue reserves						Revenue reserves as a % of revenue expenditure				
At 1 April	Revenue expenditure ^(a)	Schools	Other earmarked	Unallocated	Non-schools total	% change over previous years	Schools	Other earmarked	Unallocated	Non-schools total
2000	57,329	694	3,895	1,863	5,758	-	1.2	6.8	3.2	10.0
2001	61,952	1,007	4,047	1,755	5,802	0.8	1.6	6.5	2.8	9.4
2002	65,898	1,103	3,732	1,756	5,488	-5.4	1.7	5.7	2.7	8.3
2003	75,244	1,132	4,198	2,224	6,422	17.0	1.5	5.6	3.0	8.5
2004	79,303	1,315	5,484	2,678	8,162	27.1	1.7	6.9	3.4	10.3
2005	84,422	1,498	6,831	2,774	9,605	17.7	1.8	8.1	3.3	11.4
2006	88,172	1,596	7,644	2,939	10,583	10.2	1.8	8.7	3.3	12.0
2007	92,384	1,760	8,122	3,205	11,327	7.0	1.9	8.8	3.5	12.3
2008	98,107	2,009	9,014	3,373	12,386	9.4	2.0	9.2	3.4	12.6
2009 (R)	103,276	1,866	9,488	3,497	12,986	4.8	1.8	9.2	3.4	12.6
2010	104,334	1,834	9,759	3,469	13,228	1.9	1.8	9.4	3.3	12.7
At 31 March										
2011	104,334	2,057	10,503	3,762	14,265	7.8	2.0	10.1	3.6	13.7

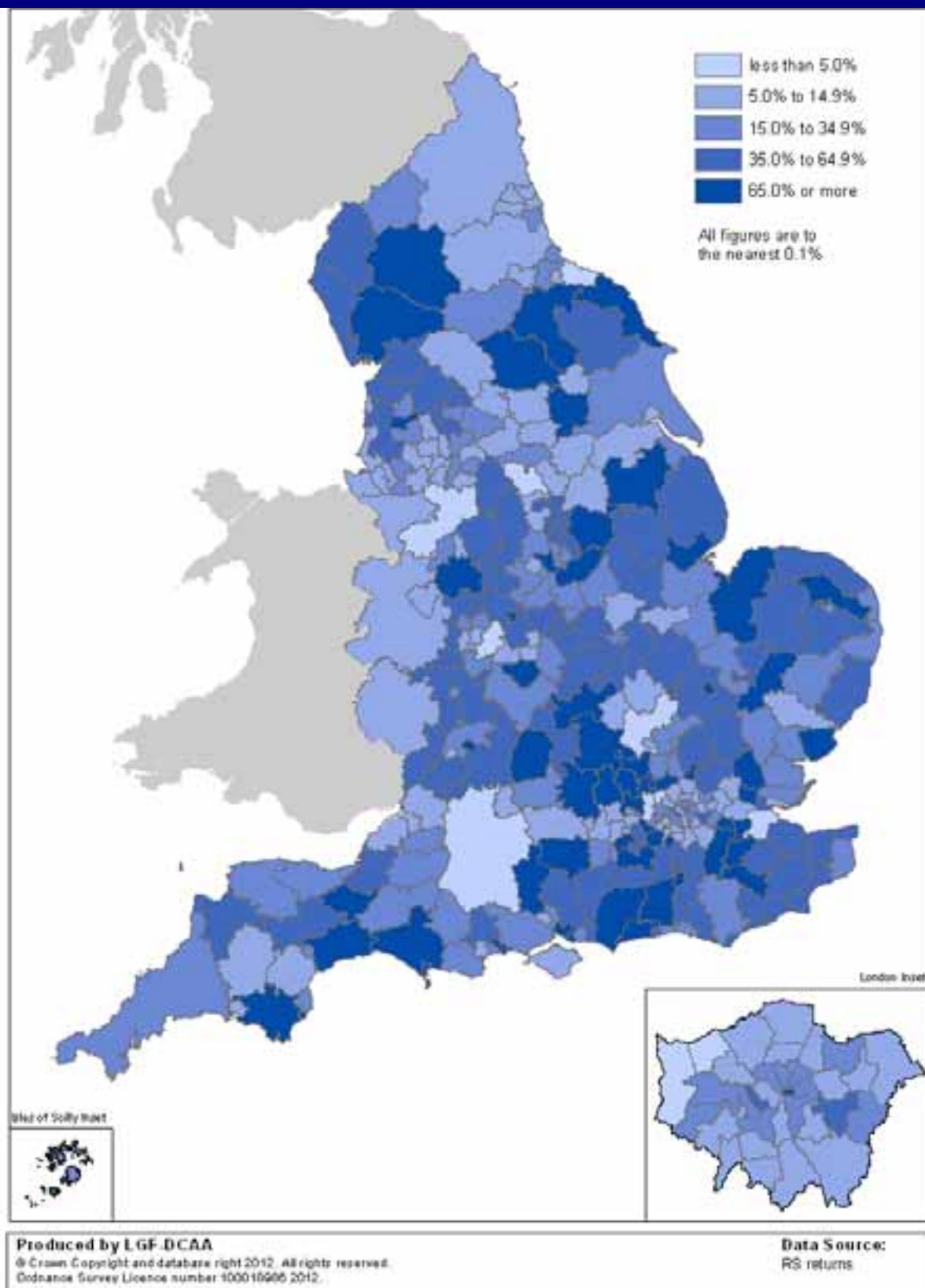
Source: Revenue Summary (RS) returns to 2010-11

(a) Revenue expenditure is on a non Financial Reporting Standard 17 (FRS17) and PFI "off balance" sheet basis. This figure represents the Revenue Expenditure that must be financed from cash backed resources. Revenue expenditure for 2011 is outturn 2010-11, same as 2010.

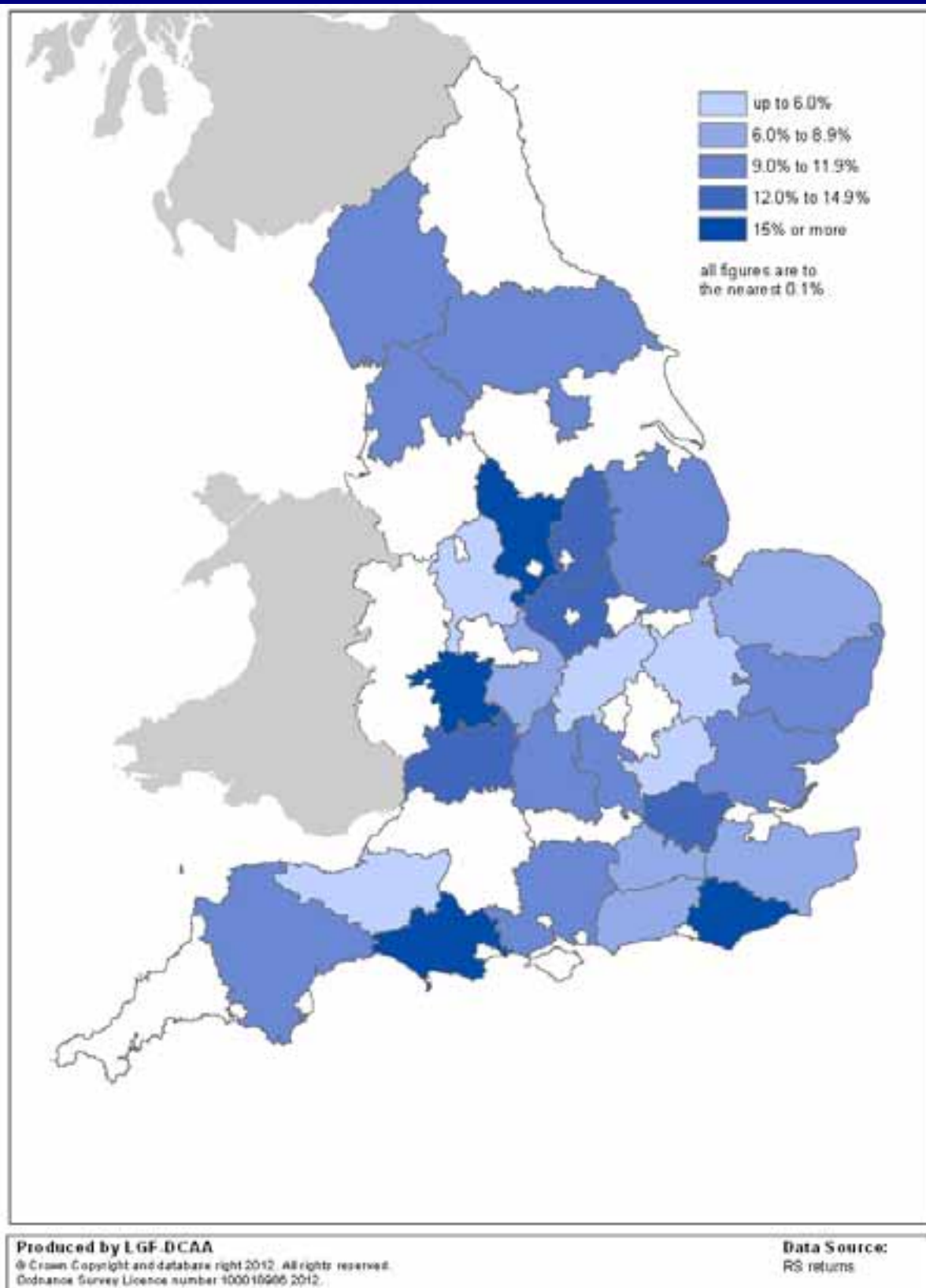
Chart 3.6e: Revenue reserves as a proportion of revenue expenditure at 1 April 2000 to 31 March 2011



Map 3.6f: Non-schools reserves at 31 March 2011 as a proportion of revenue expenditure by billing authority in 2010-11



Map 3.6g: Non-schools reserves at 31 March 2011 as a proportion of revenue expenditure by upper tier authority in 2010-11



3.7 External trading services

- 3.7.1 Local authorities operate a variety of trading services, which are either defined under general or local Acts of Parliament or by custom. They are services of a commercial nature which are substantially financed by charges made to recipients of the services.
- 3.7.2 External trading services are typically organisations funded mainly by sales outside the authority. These include civic halls and theatres, markets, industrial estates, tolled bridges, roads, ferries and tunnels. Their receipts are conditional on actual work done. They differ from public corporations in that they do not have a full commercial style set of accounts, or autonomy from the local authority in day to day business operations in their legal identity and financial transactions.
- 3.7.3 A breakdown of expenditure on the internal and external trading services account can be found in **Table C1g** in **Annex C1**, available online.

- Gross Expenditure in 2010-11 on external trading services totalled £838m, compared with £885m in 2009-10, a fall of 5%.
- These services generated income of £1,131m, 2% lower than the figure of £1,158m in 2009-10.
- This resulted in a surplus of £293m in the General Fund Revenue Account, 7% higher than the £273m surplus in 2009-10.
- Corporation estates, industrial estates and investment properties generated the most income of all the services, together accounting for 35% of the total income.

3.8 Housing Revenue Account (HRA)

- 3.8.1 The HRA is a record of revenue expenditure and income relating to an authority's own housing stock and dates back to the Housing Act 1935. Most other local authority services are funded through council tax and central government support for the benefit of all local taxpayers. However housing is provided directly to a relatively small sub-group of local residents and council tenants and funded by the rents they pay and by central government subsidy. The HRA is a ring-fenced account. The ring-fence was introduced in the Local Government and Housing Act 1989, to ensure that rents paid by local authority tenants make a fair contribution to the cost of providing the housing service. Rent levels can therefore not be subsidised by increases in the council tax and equally, local authorities are prevented from increasing rents in order to keep council tax levels down.
- 3.8.2 Housing revenue account information presented here is derived from housing revenue account subsidy claim forms. Information on transfers between the

housing revenue account and the general fund revenue account differs marginally from comparable information given on revenue outturn forms.

- Housing Revenue Account expenditure amounted to £9.4bn in 2010-11, up from £8.8bn in 2009-10.
- At the national level, the main items of expenditure in 2010-11 were debt charges (42%), supervision and management: general (18%) and repairs (18%).
- Housing Revenue Account income was £8.8bn in 2010-11, slightly lower than the £8.9bn in 2009-10.
- At the national level the main items of income were rents from dwellings (70%), which varied between 51% in the North West and 88% in the East Midlands.

Table 3.8a: Housing Revenue Account (HRA) by class of authority 2010-11

	£ million					
	London boroughs	Metropolitan districts	Shire districts	Unitary authorities	All English authorities	% of total
Expenditure						
Supervision and management: general	732	441	302	264	1,739	18.5
Supervision and management: special	236	151	147	99	632	6.7
Repairs (including transfers to the repairs account)	496	475	381	334	1,686	17.9
Expenditure for capital purposes	111	68	55	47	281	3.0
Debt charges	1,831	910	778	437	3,956	42.0
Transfers	143	115	459	190	908	9.6
Other expenditure	66	29	42	83	220	2.3
Total expenditure	3,615	2,189	2,164	1,455	9,422	100.0
Income						
Rents other than dwellings	73	24	46	26	169	1.9
Rents from dwellings ^(a)	1,786	1,617	1,578	1,166	6,148	69.6
Heating and other services	383	81	92	61	616	7.0
Interest income	309	98	245	41	694	7.8
Government subsidy	224	138	19	32	414	4.7
LA subsidy	5	17	18	7	46	0.5
Other income	370	257	51	74	752	8.5
Total income	3,149	2,232	2,049	1,408	8,838	100.0
Source: HRA Subsidy claims						
(a) Gross (i.e. including rents met by rebates)						

Table 3.8b: Housing Revenue Account by region 2010-11

	£ million										
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England	% of total
Expenditure											
Supervision and management: general	90	127	218	121	132	112	732	136	70	1,739	18.5
Supervision and management: special	48	36	53	45	57	63	236	67	27	632	6.7
Repairs (including transfers to the repairs account)	99	143	186	167	195	136	496	170	94	1,686	17.9
Expenditure for capital purposes	6	35	25	17	21	15	111	29	22	281	3.0
Debt charges	149	416	387	211	266	285	1,831	298	115	3,956	42.0
Transfers	20	26	25	82	141	191	143	189	91	908	9.6
Other expenditure	10	69	9	16	12	8	66	28	3	220	2.3
Total expenditure	422	851	903	659	825	810	3,615	915	422	9,422	100.0
Income											
Rents other than dwellings	6	7	9	10	13	20	73	23	8	169	1.9
Rents from dwellings ^(a)	357	440	692	568	696	587	1,786	694	329	6,148	69.6
Heating and other services	26	26	29	24	26	41	383	40	21	616	7.0
Interest income	27	49	105	20	83	60	309	15	26	694	7.8
Government subsidy	17	46	72	4	10	7	224	13	21	414	4.7
LA subsidy	-	6	7	11	8	1	5	5	3	46	0.5
Other income	18	282	19	7	2	8	370	41	5	752	8.5
Total income	450	855	933	644	837	725	3,149	832	413	8,838	100.0

Source: HRA Subsidy claims

(a) Gross (i.e. including rents met by rebates)

Chart 3.8c: Housing Revenue Account expenditure 2010-11

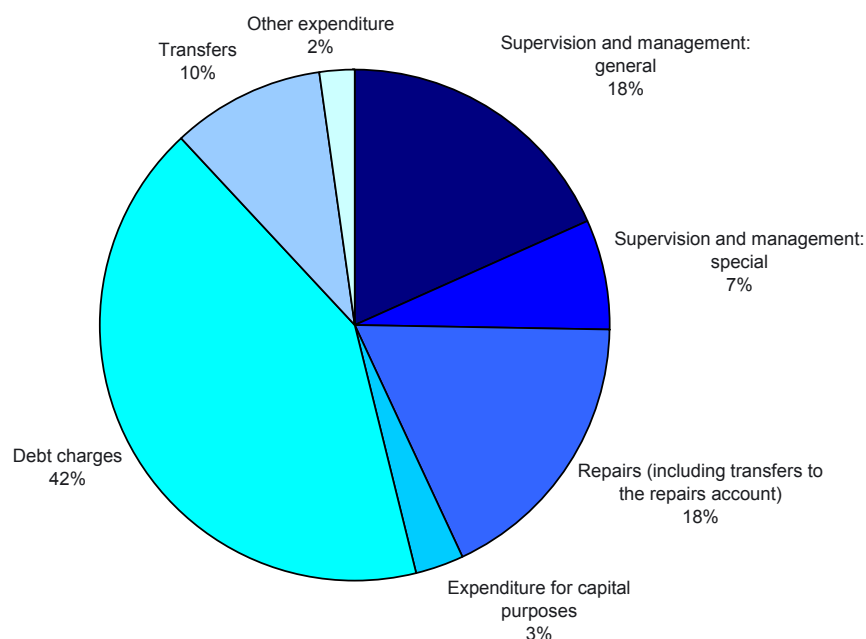
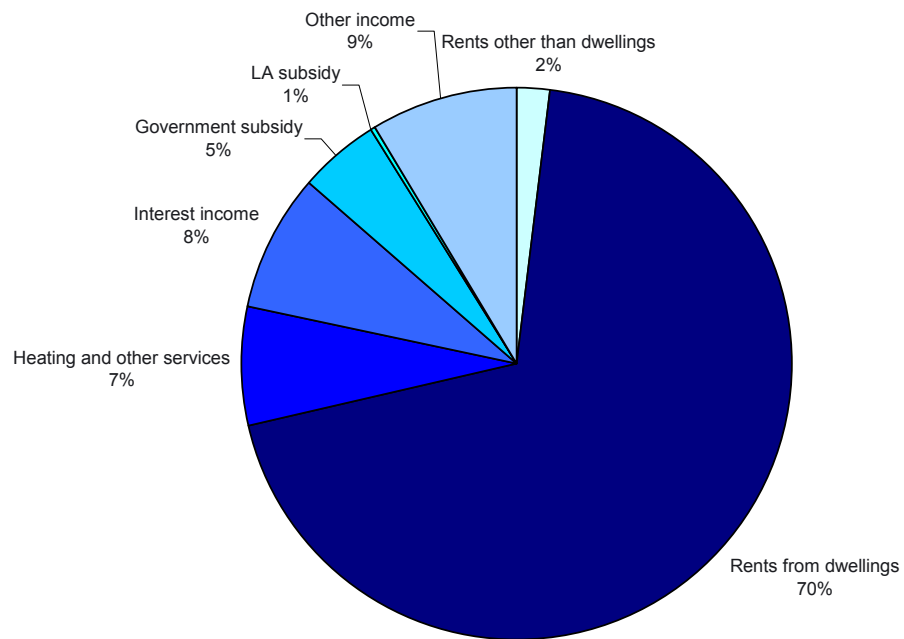


Chart 3.8d: Housing Revenue Account income 2010-11



- Total expenditure rose by 7% between 2009-10 and 2010-11, from £8.8bn to £9.4bn, mainly due to increases in debt charges.
- Total income fell slightly from £8.9bn in 2009-10 to £8.8bn in 2010-11.

Table 3.8e: Housing Revenue Account income and expenditure, 2006-07 to 2010-11

	£ million				
	2006-07	2007-08	2008-09	2009-10	2010-11
Expenditure					
Supervision and management: general	1,625	1,672	1,665	1,731	1,739
Supervision and management: special account)	756	716	701	680	632
Expenditure for capital purposes	1,788	1,759	1,798	1,727	1,686
Debt charges	284	276	283	261	281
Transfers	2,903	3,095	4,027	3,455	3,956
Other expenditure	670	686	795	745	908
Total expenditure	222	235	193	189	220
Income					
Rents from dwellings ^(a)	8,249	8,440	9,462	8,788	9,422
Rents other than dwellings	6,051	6,079	6,041	6,145	6,148
Heating and other services	189	186	178	181	169
Interest income	516	557	579	595	616
Government subsidy	491	732	1,414	471	694
LA subsidy	791	698	560	611	414
Other income	24	14	21	127	46
Total income	146	182	342	743	752

Source: HRA Subsidy claims

(a) Gross (i.e. including rents met by rebates)

CHAPTER 4

How is the money spent? – Capital spending and how it is financed

4.0.1 This chapter describes the pattern and trends in capital spending by local authorities and how that expenditure is financed. It is divided into the following sections:

- **Expenditure definition** **section 4.1**
- **Capital spending** **section 4.2**
- **Pattern of spending by region and class of authority** **section 4.3**
- **Financing of capital spending – overview** **section 4.4**
- **Capital receipts** **section 4.5**
- **Private Finance Initiative** **section 4.6**

Additional detail on expenditure and receipts in 2010-11 is given in **Annex D**, available online.

4.0.2 Capital spending by local authorities is mainly for buying, constructing or improving physical assets, such as:

- buildings - schools, houses, libraries and museums, police and fire stations etc
- land - for development, roads, playing fields etc
- vehicles, plant and machinery – including street lighting, road signs etc.

It also includes grants and advances made to the private sector or the rest of the public sector for capital purposes, such as advances to Registered Social Landlords.

4.0.3 Authorities finance this spending in a number of ways, including use of their own revenue funds, capital receipts, borrowing or grants and contributions from elsewhere.

4.0.4 Until 31 March 2004 the capital finance system laid down in Part 4 of the Local Government and Housing Act 1989 (the “1989 Act”) provided the framework within which authorities were permitted to finance capital spending from sources other than revenue - that is by the use of borrowing, long-term credit or capital receipts. The basic principle of the old system was that authorities could use

borrowing and credit only up to the limits specified by the Government through the issue of **credit approvals**.

- 4.0.5 The current capital finance system was introduced on 1 April 2004, with the implementation of Part 1 of the Local Government Act 2003 (the “2003 Act”). The key feature of the **Prudential capital finance system** is that authorities do not need government approval to finance capital spending by borrowing or credit. Authorities receive central government support for a major part of their capital programmes in the form of capital grants, and capital receipts may be used to finance capital spending. The effect of the Prudential system is that they are then free to borrow to fund additional investment, without Government consent, as long as they can afford to service the debt out of their revenue resources.
- 4.0.6 The **Prudential Code** was specially prepared by The Chartered Institute of Public Finance and Accountancy (**CIPFA**) and sets out in broad terms how affordability of debt is to be assessed.
- 4.0.7 Capital receipts may also be used to finance capital spending (and may not be used for revenue spending without a capitalisation direction – see 4.1.2 below). However, part of most housing receipts has to be paid to the Secretary of State, in a system known as ‘pooling’.

4.1 Expenditure definitions

- 4.1.1 Capital expenditure is incurred when a local authority spends money either to buy fixed assets or to add to the value of an existing fixed asset with a useful life that extends beyond the financial year in which the investment was made. There are two types of fixed assets for capital purposes: tangible fixed assets acquired or enhanced by the local authority, such as land, buildings, vehicles and machinery; and intangible fixed assets, which are assets of value which do not have a physical shape e.g. purchased franchises, licences and patents. The value of a fixed asset is determined by its operational or non-operational status, that is, whether it is (1) held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility; or (2) held by a local authority but not directly occupied, used or consumed in the delivery of services. More detailed information is set out online in Annex D.

Since 1 April 2004 expenditure on, and receipts from the sale of, intangible assets have been shown separately in capital spending by local authorities. This is to reflect more explicit recognition of intangible assets in the local government accounting framework.

- 4.1.2 The definition of capital spending under the Prudential system is based upon the normal accounting concept, but this can be varied by regulations or by directions issued to individual authorities. Capitalisation is the means by which the Government, exceptionally, permits local authorities to treat revenue costs as capital costs. Directions are issued under sections 16(2)(b) and 20 of the 2003 Act. The effect of a direction is that specified revenue expenditure becomes treated as

capital expenditure, so that instead of having to be charged to revenue, it may be funded from borrowed money or capital receipts, thereby increasing an authority's financial flexibility. They have been issued, for example, in relation to spending on redundancy payments, pension fund contributions and equal pay awards.

- 4.1.3 In relation to equal pay awards, a capitalisation direction may be given to cover lump-sum payments to present or former council employees in respect of compensation relating to past pay levels under the *Equal Pay Act 1970*; it is most unlikely that a capitalisation direction would be granted in relation to ongoing salary increases. Detailed information is set out in Annex D.

4.2 Capital spending

- 4.2.1 Recent trends in capital expenditure by type of spending are shown in Table 4.2a and Chart 4.2b

- The underlying trend in capital expenditure shows an increase of 8% from 2009-10 to 2010-11. It has risen by 30% in the last four years.
- The total value of local authority spending on fixed assets has increased by 18% in real terms since 2006-07.
- New construction and conversion forms the major part of capital spending.

Table 4.2a: Capital expenditure by economic category

	2006-07	2007-08	2008-09	2009-10	2010-11	£ million 2011-12 (F)
Acquisition of land and existing buildings and works	964	1,184	1,511	1,301	1,043	529
New construction and conversion	11,797	12,393	13,390	14,551	14,777	15,035
Vehicles, plant equipment and machinery	1,312	1,321	1,488	1,597	1,520	1,181
Intangible assets	292	262	204	197	205	149
Total expenditure on fixed assets	14,366	15,159	16,593	17,645	17,544	16,895
Grants, loans and other financial assistance	1,918	4,788 ^(b)	3,172	3,574	5,148 ^(c)	3,559
Acquisition of share and loan capital	23	11	36	143	454	0
Total capital expenditure	16,307	19,958 ^(b)	19,801	21,362	23,146 ^(c)	20,454
Expenditure by virtue of a section 16(2)(b) direction ^(a)	163	415	432	464	239	...
Notional capital receipts set aside and Large Scale Voluntary Transfer levy	2	22	0	0	0	...
Total expenditure and other transactions	16,472	20,395 ^(b)	20,233	21,826	23,385	...

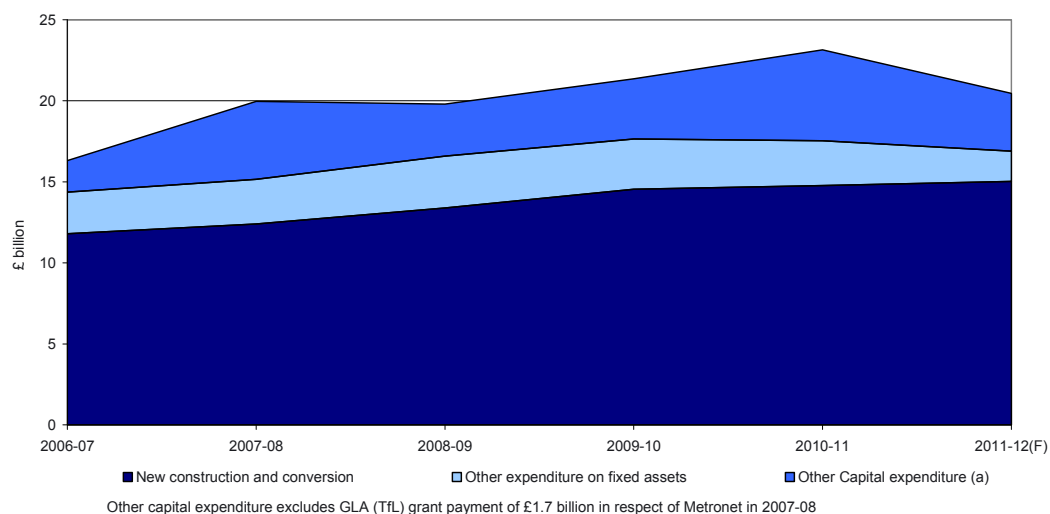
Source: COR/CER returns

(a) Expenditure which does not fall within the definition of expenditure for capital purposes, but is treated as capital expenditure by a direction under sections 20 and 16(2)(b) of the Local Government Act 2003.

(b) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

(c) GLA's grants and loans total £3.8 billion, including GLA's £1 billion contribution to Crossrail

Chart 4.2b: Capital expenditure by economic category



- Between 2006-07 and 2010-11 capital expenditure on transport has risen from 21% to 34% of the total, while capital expenditure on housing has fallen from 28% to 18% of the total.

Table 4.2c: Capital expenditure by service

	2006-07	2007-08	2008-09	2009-10	2010-11	£ million 2011-12 (F)
Education	3,442	3,711	4,542	5,392	6,107	5,937
Highways & transport	3,480	5,916 ^(a)	4,735	5,851	7,943 ^(d)	5,640
Housing	4,507	5,008	4,901	4,514	4,063	3,124
Other	4,879	5,323	5,622	5,605	5,034	5,753
Of which						
Social Services	364	411	300	288	312	358
Sport & recreation	415	446	496	598 ^(b)	524 ^(b)	526 ^(b)
Police	527	550	794 ^(c)	704	602	591
Other	3,573	3,917	4,033	4,015	3,596	4,277
Total	16,307	19,958 ^(a)	19,801 ^(c)	21,362	23,146	20,454

Source: COR/CER returns

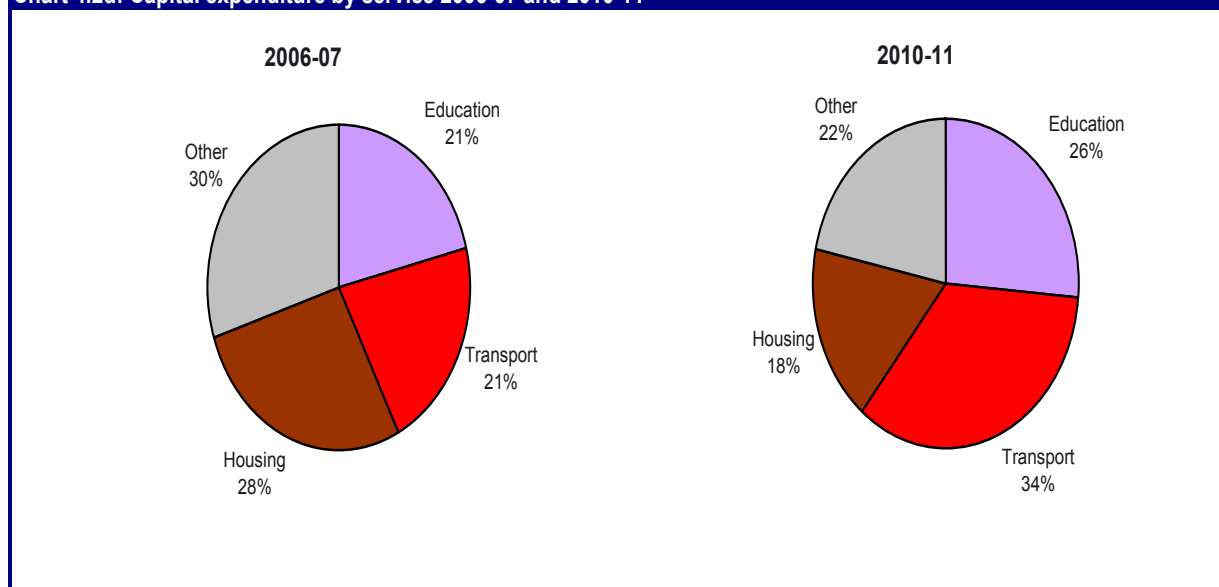
(a) Includes GLA (TfL) grant payment in respect of Metronet.

(b) Owing to form changes reflecting Best Value Accounting Code of Practice (BVACOP) revisions, from 2009-10 Sport & Recreation (now Recreation & Sport) is now part of Culture & Related Services category. The 2009-10 expenditure total is as reported in Annex D1b and excludes any acquisitions of share and loan capital, usually negligible.

(c) Includes a one-off acquisition of land and existing buildings by Metropolitan Police in 2008-09

(d) Bulk of transport expenditure due to GLA - £4.5 billion. Excluding GLA, transport total would have been £3.4 billion

Chart 4.2d: Capital expenditure by service 2006-07 and 2010-11



4.3 Pattern of spending by region and class of authority

- There is considerable regional variation in the level of capital spending per head of population. London has had the highest spending per head for many years, mainly through transport.

Table 4.3a: Capital expenditure by region : £ million

	2006-07	2007-08	2008-09	2009-10	2010-11	£ million 2011-12 (F)
North East	1,004	1,001	1,166	1,261	1,232	1,085
North West	2,160	2,766	2,795	2,596	2,779	2,557
Yorkshire & the Humber	1,808	1,790	1,938	1,881	1,949	1,845
East Midlands	1,177	1,277	1,278	1,378	1,340	1,178
West Midlands	1,760	1,939	2,090	1,983	1,969	1,909
East of England	1,448	1,636	1,585	1,767	1,691	1,760
London	3,952	6,316 ^(a)	5,282	6,738	8,301 ^(b)	6,475
South East	1,785	1,956	2,112	2,197	2,352	2,265
South West	1,213	1,277	1,554	1,561	1,533	1,379
Total England	16,307	19,958 ^(a)	19,801	21,362	23,146 ^(b)	20,454

Source: COR/CER returns

(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

(b) The Greater London Authority (GLA) accounts for £5.0 billion (about 21%) of total capital expenditure in 2010-11. £3.8 billion of this is the expenditure of Transport for London

Table 4.3b: Capital expenditure by region : £ per head

	£ per head				
	2006-07	2007-08	2008-09	2009-10	2010-11
North East	393	391	454	488	473
North West	315	403	407	376	401
Yorkshire & the Humber	351	345	371	358	368
East Midlands	270	290	289	310	299
West Midlands	328	361	386	365	361
East of England	259	290	277	306	290
London	524	831 ^(a)	689	869	1,061 ^(b)
South East	217	236	252	260	276
South West	237	247	298	298	291
Total England	321	391	385	412	443

Source: COR/CER returns

(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

(b) GLA's grants and loans total £3.8 billion, including GLA's £1 billion contribution to Crossrail

- There has been an increase in the share of 'other' authorities from 12% in 2006-07 to 26% in 2010-11. This includes the GLA, police, fire, passenger transport, waste and park authorities.

Table 4.3c: Capital expenditure by class

	£ million					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (F)
London boroughs	2,570	2,666	2,984	3,475	3,317	3,235
Metropolitan districts	4,080	4,707	4,918	4,381	4,392	3,758
Unitary authorities	2,343	2,494	2,712	4,032 ^(b)	4,083	4,062
Shire counties	3,277	3,701	4,017	3,536 ^(b)	3,703	3,319
Shire districts	2,017	2,007	1,975	1,635 ^(b)	1,623	1,562
Other authorities	2,020	4,384 ^(a)	3,196	4,305	6,028	4,517
All English authorities	16,307	19,958 ^(a)	19,801	21,362	23,146	20,454
						%
London boroughs	16	13	15	16	14	16
Metropolitan districts	25	24	25	21	19	18
Unitary authorities	14	12	14	19 ^(b)	18	20
Shire counties	20	19	20	17 ^(b)	16	16
Shire districts	12	10	10	8 ^(b)	7	8
Other authorities	12	22	16	20	26	22
All English authorities	100	100	100	100	100	100

Source: COR/CER returns

(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet

(b) Figures are not comparable between 2008-09 and 2009-10 owing to local authority reorganisation on April 1 2009

4.3.1 **Table 4.3d** shows the distribution of capital expenditure by class of authority in 2010-11.

- All London boroughs and metropolitan districts spent £20m or more in 2010-11, while all the shire counties spent £50m or more.
- Only one shire district had £50m or more of capital expenditure in 2010-11.

Table 4.3d: Capital expenditure by class of authority 2010-11

Band (£ million)	Number of Authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
less than 2	0	0	0	0	26	16	42
2 up to 5	0	0	0	0	53	28	81
5 up to 10	0	0	1	0	75	25	101
10 up to 20	0	0	0	0	33	13	46
20 up to 50	5	4	19	0	13	4	45
50 up to 100	14	17	25	8	1	2	67
100 and above	14	15	11	19	0	2	61
Total	33	36	56	27	201	90	443
Source: COR/CER returns							

4.3.2 The following tables (and map) provide final 2010-11 outturn expenditure showing:

- service by economic category
- service by region (£ million and £ per head)
- service by class.

Table 4.3e: Capital expenditure by service and economic category 2010-11

	£ million			
	Total expenditure on fixed assets	Grants and advances	Acquisition of share and loan capital	Total capital expenditure
Education	5,717	389	1	6,107
Highways & transport	3,819	3,673	451 ^(a)	7,943
Social Services	269	43	0	312
Housing	3,386	674	2	4,063
Culture & related services	1,093	53	0	1,147
Environmental services	491	40	0	531
Planning & development services	627	206	0	833
Police	602	0	0	602
Fire & rescue	194	0	0	195
Central services	1,050	59	1	1,110
Trading services	295	10	0	304
Total	17,544	5,148	454	23,146

Source: COR returns

(a) Includes £450m acquisition of capital by TfL in respect of Crossrail

Table 4.3f: Capital expenditure by service and region 2010-11

£ million										
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England
Education	331	858	698	451	571	665	1,181	829	523	6,107
Transport	218	732	272	231	380	411	4,887 ^(a)	428	383	7,943
Social Services	29	51	29	22	22	20	54	44	41	312
Housing	361	462	508	300	457	232	1,225	335	184	4,063
Culture & related servic	65	145	103	85	125	122	202	184	118	1,147
Environmental services	27	61	45	48	64	47	55	96	88	531
Planning & developmen	85	174	51	49	79	33	269	59	35	833
Police	31	114	60	24	46	33	192	63	38	602
Fire and rescue service	8	20	21	22	16	23	38	24	23	195
Central services	67	109	145	91	193	92	151	175	87	1,110
Trading	10	53	19	17	17	13	47	114	13	304
Total	1,232	2,779	1,949	1,340	1,969	1,691	8,301^(a)	2,352	1,533	23,146

£ per head										
Education	127	124	132	101	105	114	151	98	100	118
Transport	84	106	51	52	70	70	625	51	73	153
Social Services	11	7	5	5	4	4	7	5	8	6
Housing	138	67	96	67	84	40	157	40	35	78
Culture & related servic	25	21	19	19	23	21	26	22	23	22
Environmental services	10	9	8	11	12	8	7	11	17	10
Planning & developmen	32	25	10	11	14	6	34	7	7	16
Police	12	16	11	5	8	6	25	8	7	12
Fire and rescue service	3	3	4	5	3	4	5	3	4	4
Central services	26	16	27	20	35	16	19	21	17	21
Trading	1	10	4	3	3	2	5	14	2	6
Total	473	401	368	299	361	290	1061	276	291	443

Source: COR returns

(a) £3.8 billion of this is the expenditure of Transport for London

Map 4.3g: Capital expenditure per head 2010-11

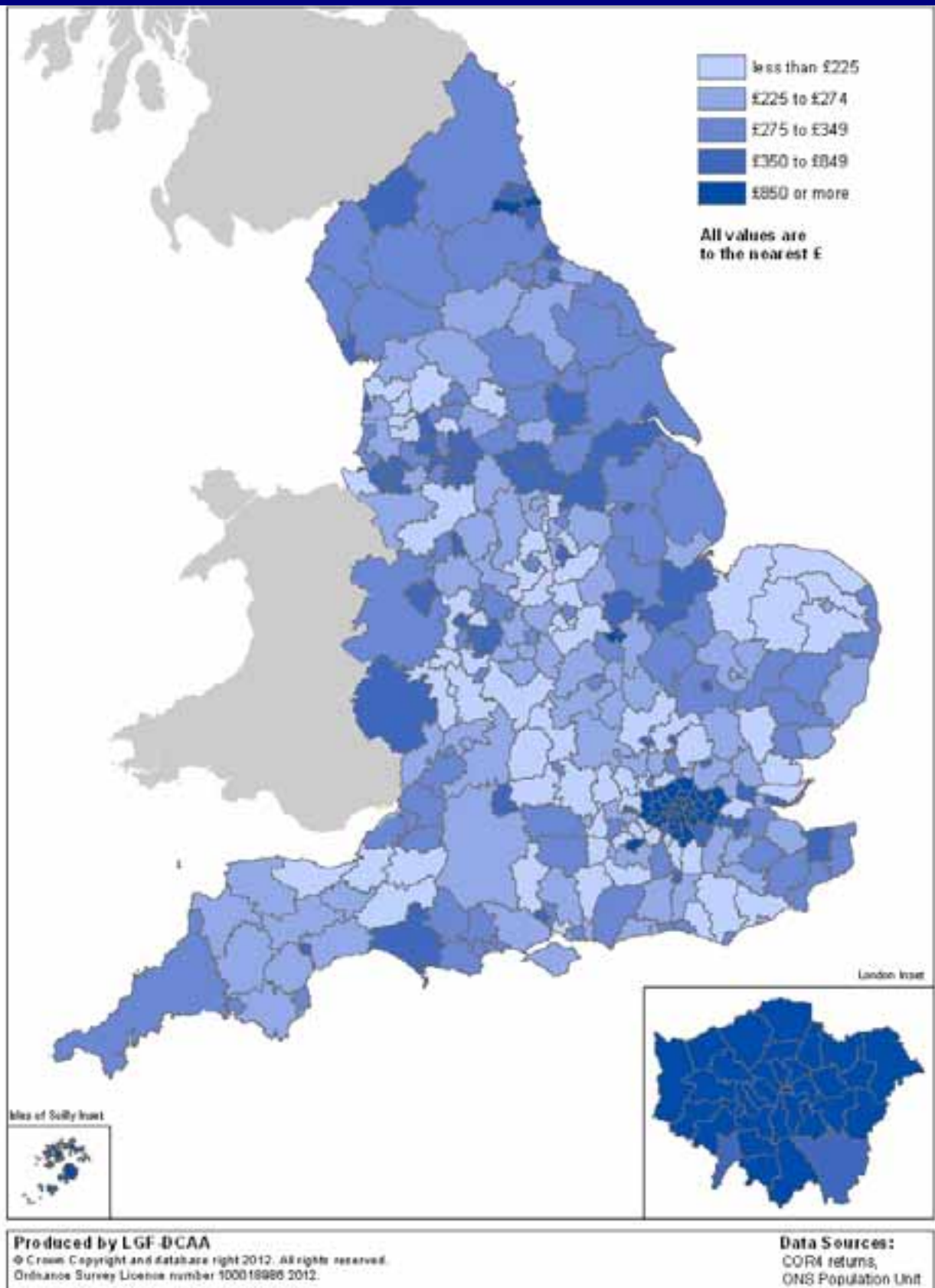


Table 4.3h: Capital expenditure by service and class 2010-11

							£ million
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	All English authorities
Education	1,181	1,475	1,515	1,936	0	0	6,107
Transport	368	541	792	1,186	37	5,019 ^(a)	7,943
Social Services	54	75	100	83	0	0	312
Housing	1,225	1,302	770	4	762	0	4,063
Culture & related services	190	273	264	93	311	16	1,147
Environmental services	28	96	146	116	109	37	531
Planning & development service	71	243	176	49	95	198	833
Police	4	0	0	0	0	598	602
Fire and rescue services	0	0	8	28	0	159	195
Central services	151	318	278	193	169	1	1,110
Trading	47	68	35	17	138	0	304
Total	3,317	4,392	4,083	3,703	1,623	6,028	23,146

(a) Includes £450m acquisition of capital by TfL in respect of Crossrail. Also reflects a one-off loan within the TfL Group of £1.6bn to London Underground financed by an equivalent loan from Tube Lines

Source: COR returns

4.4 Financing of capital spending – overview

4.4.1 From 1 April 2004, capital spending has been financed by:

- grants received from central government. These are usually given for specific projects or types of expenditure, although powers in the 2003 Act allow for grants to be given for a wide range of purposes. Grants may be given by any government department for any purpose, but are mainly given for schools, transport, housing or regeneration work
- contributions or grants from elsewhere – including the National Lottery and **Non-Departmental Public Bodies** such as Sports England, English Heritage and Natural England, as well as private sector partners, for example for access roads or traffic management schemes
- capital receipts (that is proceeds from the sale of land, buildings or other fixed assets)
- revenue resources – either the **General Fund Revenue Account**, the **Housing Revenue Account (HRA)** or the **Major Repairs Reserve**. Note that an authority cannot charge council tenants for spending on general services, or spending on council houses to local taxpayers
- **Supported Capital Expenditure (Revenue)**. While central government no longer issues credit approvals, it continued to provide financial support - via RSG or HRA subsidy - towards some capital spending financed by borrowing
- self-financed borrowing within limits of affordability set, having regard to the 2003 Act and the CIPFA *Prudential Code*.

- The financing of capital expenditure through central government grants increased from £7.5 billion in 2009-10 to £8.1 billion in 2010-11 partly due to Transport for London (TfL) now having a separate investment (capital) grant which must be spent on capital receipts (e.g. the tube upgrade) as set out in TfL's Comprehensive Spending Review (CSR) funding settlement. Between 2008-09 and 2010-11 the financing of capital expenditure through central government grants increased by nearly 41%, 34%

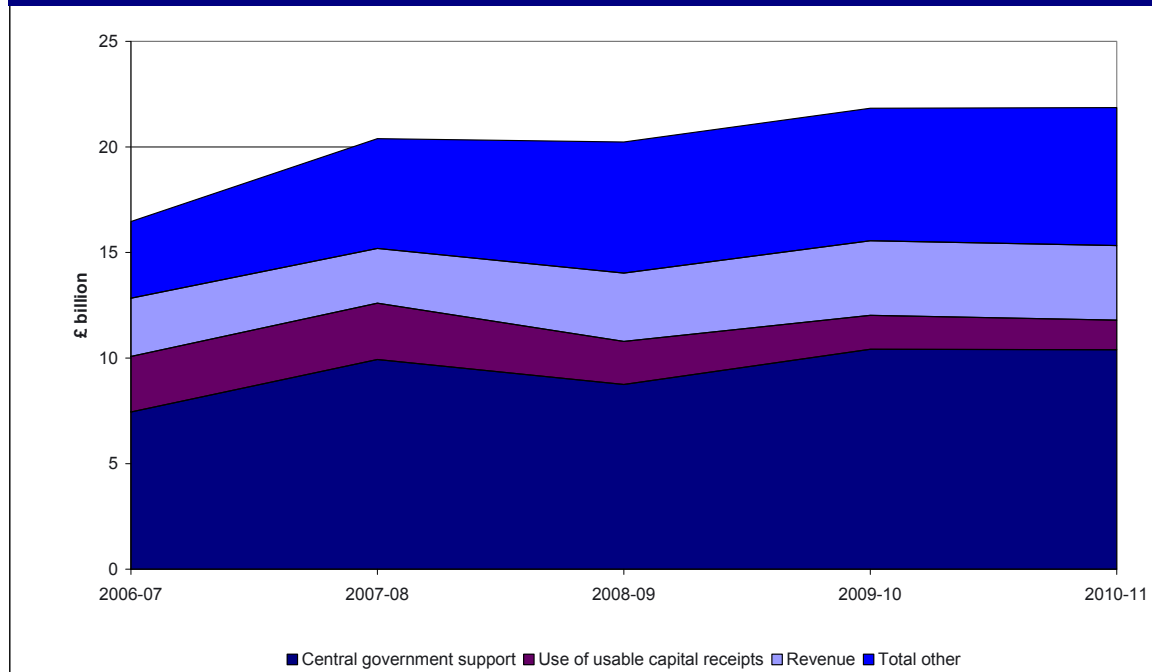
in real terms.

- In 2006-07 capital expenditure of almost £2.3bn (about 14%) was financed by self financed borrowing. This has increased every year, while the share of expenditure financed from capital receipts has shown a sustained decline since 2006-07. Local authority self-financed borrowing in 2010-11 has increased by nearly 27% from 2009-10, due primarily to the Greater London Authority's (GLA) borrowing to finance transport expenditure. Self-financed borrowing more than doubled between 2006-07 and 2010-11.

Table 4.4a: Financing of capital expenditure

	£ million				
	2006-07	2007-08	2008-09	2009-10	2010-11
Central government grants	4,083	7,007 ^(a)	5,733	7,494	8,063
Other grants and contributions ^(b)	1,344	2,019	1,978	1,266	1,529
of which:					
Private developers	502	1,122 ^(c)	1,176 ^(d)	502	634
Non-Departmental Public Bodies ^(e)	492	635	540	602	753
National Lottery	166	105	106	119	104
European Structural Funds	185	157	156	43	38
Use of capital receipts	2,628	2,665	2,040	1,603	1,409
Revenue financing of capital expenditure	2,763	2,591	3,241	3,532	3,984
of which:					
Housing Revenue Account	240	208	228	247	235
Major Repairs Reserve	1,337	1,180	1,224	1,377	1,069
General Fund	1,185	1,204	1,789	1,908	2,680
SCE(R) Single Capital Pot	2,734	2,296	2,257	2,181	1,581
SCE(R) Separate Programme Element	630	630	759	748	484
Other borrowing and credit arrangements not supported by central government ^(f)	2,291	3,186	4,224	5,002	6,335
Total resources used	16,472	20,395	20,233	21,826	23,385
					%
Central government grants	25	34	28	34	34
Other grants and contributions ^(b)	8	10	10	6	7
of which:					
Private developers	3	6 ^(c)	6 ^(d)	2	3
Non-Departmental Public Bodies ^(e)	3	3	3	3	3
National Lottery	1	1	1	1	0
European Structural Funds	1	1	1	0	0
Use of usable capital receipts	16	13	10	7	6
Revenue financing of capital expenditure					
of which:					
Housing Revenue Account	1	1	1	1	1
Major Repairs Reserve	8	6	6	6	5
General Fund	7	6	9	9	11
SCE(R) Single Capital Pot	17	11	11	10	7
SCE(R) Separate Programme Element	4	3	4	3	2
Other borrowing and credit arrangements not supported by central government ^(f)	14	16	21	23	27
Total resources used	100	100	100	100	100
Source: COR returns					
(a) Includes GLA (TfL) grant payment of £1.7 billion in respect of Metronet					
(b) Includes grants and contributions from private developers, Non-Departmental Public Bodies, National Lottery and European Structural Fund.					
(c) Includes RSL financing for the transfer of Liverpool's housing stock.					
(d) Includes RSL financing for the transfer of Salford's housing stock.					
(e) Non-Departmental Public Bodies, such as Sport England, English Heritage and Natural England.					
(f) The Prudential System, which came into effect on 1 April 2004, allows local authorities to raise finance for capital expenditure - without Government consent - where they can afford to service the debt without extra Government support.					

Chart 4.4b: Financing of capital expenditure



4.5 Capital receipts

- 4.5.1 A capital receipt is the money received by a local authority from the sale of a capital asset, such as a council house, or from the repayment of a grant or loan made by the authority to someone else to use for capital spending.
- 4.5.2 Capital receipts can be used to fund new capital spending. There is no requirement to set aside any part of a receipt to repay debt or meet other credit liabilities, though authorities are free to earmark all or some of their receipts for debt redemption if they wish. However, a pooling system is in place requiring authorities to pay to the Government a proportion of their capital receipts from the sale of housing land and dwellings. **Large and Small Scale Voluntary Transfers** are excluded from this scheme.

- Most capital receipts are from the sale of assets (96% in 2010-11). There has been a slight increase in 2010-11 (about 6%) on local authority sales of assets.

Table 4.5a: Capital receipts by economic category						
	£ million					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (F)
Sales of fixed assets	3,471	3,641	1,290	1,346	1,434	1,666
<i>of which:</i>						
<i>Land, buildings & works</i>	3,459	3,547	1,268	1,330	1,421	...
<i>Vehicles</i>	10	10	7	15	10	...
<i>Plant, machinery & equipment</i>	2	84 ^(a)	14	2	3	...
Intangible fixed assets	8	4	6	4	8	30
Repayments of grants and advances	90	88	40	39	36	20
<i>of which:</i>						
<i>Grants</i>	18	10	16	13	13	...
<i>Loans & other financial assistance</i>	40	79	24	25	23	...
Disposal of investments including share and loan capital	102	259	17	38	20	17
Total capital receipts	3,671	3,992	1,353	1,427	1,498	1,734
Source: COR/CER returns						
(a) The larger part of £84m relates to GLA's one-off sales of assets to Rail for London						

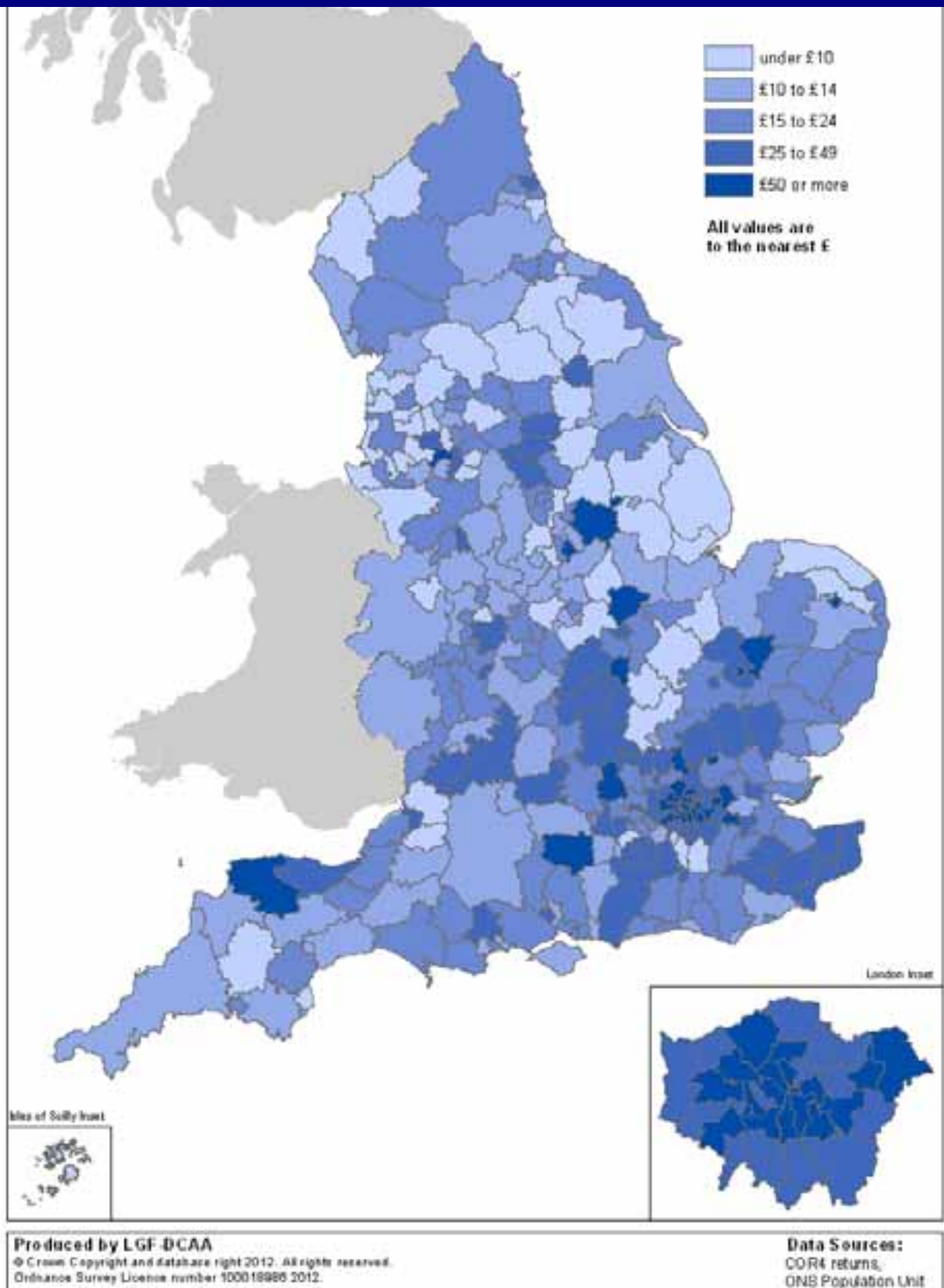
Table 4.5b: Capital receipts by service						
	£ million					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (F)
Education	261	272	102	167	114	239
Transport	130	301	41	126	43	68
Housing	1,769	1,696	487	486	513	410
Other	1,510	1,723	723	649	828	1,016
<i>Of which:</i>						
<i>Social Services</i>	85	100	45	37	44	76
<i>Sport & recreation</i>	51	78	23 II	7 ^(a)	29	26
<i>Police</i>	117	126	70	63	67	86
<i>Other</i>	1,257	1,418	585 II	542 ^(a)	688	829
Total	3,671	3,992	1,353	1,427	1,498	1,734
Source: COR/CER returns						
(a) Owing to form changes reflecting Best Value Accounting Code of Practice (BVACOP) revisions, from 2009-10 Sport & Recreation (now Recreation & Sport) is now part of Culture & Related Services category. The 2009-10 to 2011-12 receipts totals excludes any disposals of share and loan capital, usually negligible.						

Table 4.5c: Capital receipts by service and economic category 2010-11

	£ million				
	Sales of tangible fixed assets	Sale of intangible assets	Repayments of grants, loans and financial assistance	Disposal of investments including share and loan capital	Total capital receipts
Education	112	0	2	0	114
Transport	40	0	1	1	43
Social Services	44	0	0	0	44
Housing	485	8	20	0	513
Culture & related services	51	0	1	0	52
Environmental services	37	0	0	0	38
Planning & development services	281	0	2	1	284
Police	66	0	1	0	67
Fire & rescue	6	0	1	0	7
Central services	251	0	7	17	275
Trading services	60	0	0	0	60
Total	1,434	8	36	20	1,498

Source: COR returns

Map 4.5d: Capital receipts per head 2010-11



- The stock of capital receipts at 31 March 2011 was 11% lower than a year earlier. In-year receipts continue to be low in 2010-11.

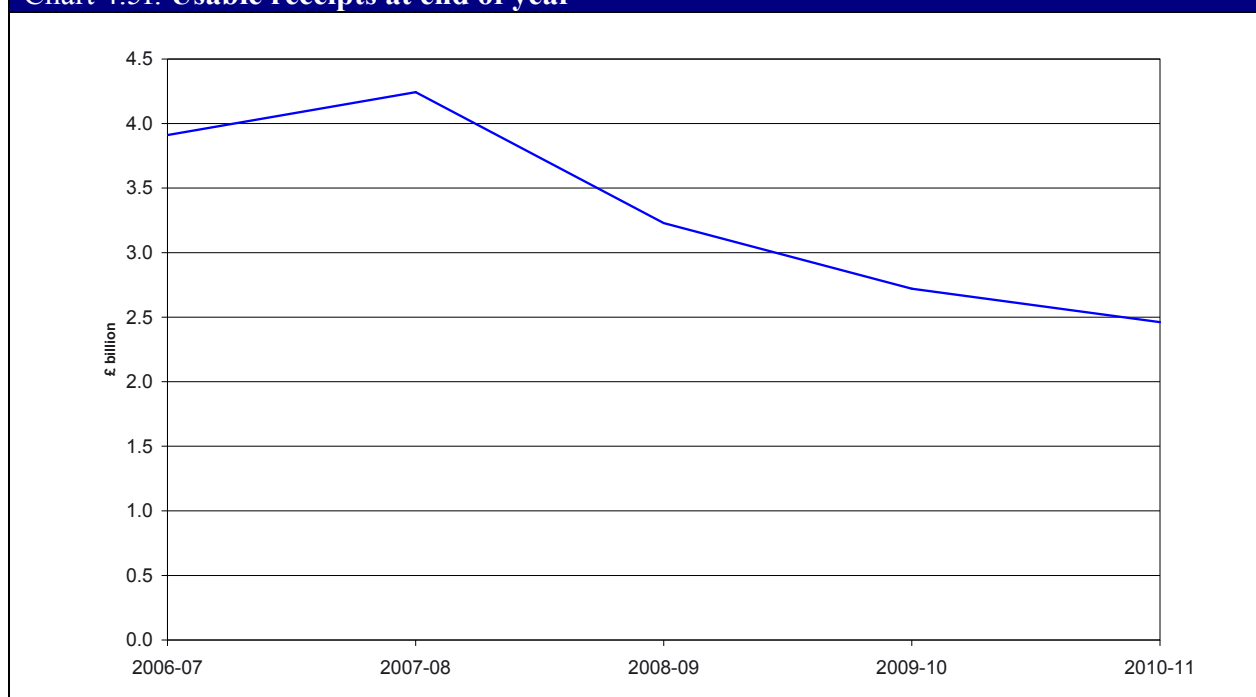
Table 4.5e: Usable and set aside receipts 2006-07 to 2010-11

	£ million				
	2006-07	2007-08	2008-09	2009-10	2010-11
USABLE CAPITAL RECEIPTS ^(a)					
Usable receipts held at 1 April	3,875	3,888	4,177	3,078	2,621
In-year usable receipts	3,671	3,992	1,353	1,427	1,498
Usable receipts used to meet capital expenditure	2,628	2,665	2,040	1,603	1,409
Usable receipts voluntarily set aside as provision to meet credit liabilities	190	320	108	65	94
Pooling of housing capital receipts	817	653	153	117	154
Interest on late pooling payments	0	0	1	0	0
Usable receipts at 31 March	3,911	4,243	3,228	2,721	2,462

Source: COR returns

(a) From 2004-05, local authorities are not statutorily required to 'reserve' capital receipts.

Chart 4.5f: Usable receipts at end of year



4.6 Private Finance Initiative

- 4.6.1 The **Private Finance Initiative (PFI)** has provided an additional route for local authorities to secure the use of a capital asset such as a building. It offers a form of public-private partnership under which local authorities can pay for the use of new

or improved capital assets (and some associated services) rather than themselves borrowing to build or buy the assets. They do this by entering into a contract under which the private sector partner will design, build, finance and then maintain and commonly manage the asset. PFI contracts are normally classed as service concessions and accounted for on the balance sheet of local authorities.

- 4.6.2 Key elements of such contracts are that significant construction and availability risk should transfer to the contractor and that the availability risk is likely to be significant to the extent that it impacts on the contractor's profits for the time for which the facility is unavailable. In this way, risk is transferred from the public to the private sector and there is no liability for the project assets in the National Accounts.
- 4.6.3 The local authority PFI programme has been a means by which the Government has provided financial support for local authority projects which meet an appropriate set of criteria. Departments received allocations in each Spending Review which were intended to provide for planned PFI activity over the Review period. The plans became reality when PFI funding support was approved for an authority once a contract for a project had been signed. The PFI funding support reflects the supported capital cost of a project which Government would support through a stream of revenue grant. This is similar to the revenue support issued to local authorities for the borrowing costs arising through their mainstream capital programmes under the former credit approval and supported capital expenditure (revenue) systems.
- 4.6.4 Capital investment funded through PFI is excluded from the expenditure figures appearing in the rest of this chapter.

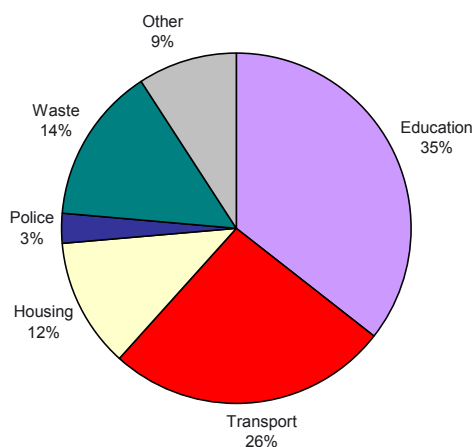
- Education accounted for 35% of the local authority PFI programme in 2010-11 compared with 57% in 2009-10.
- Transport has the second highest share of 26% in 2010-11 which is slightly higher than 22% in 2009-10.

Table 4.6a: Private Finance Initiative (PFI) supported capital costs, England

	£ million					%
	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11
Education	685	1,009	357	1,262	1,327	35%
Transport	150	95	0	491	983	26%
Social Services	32	35	14	0	118	3%
Housing	532	283	138	0	451	12%
Police	46	30	0	87	98	3%
Fire & rescue	0	28	27	93	106	3%
Waste	251	139	0	125	539	14%
Other	11	79	33	155	123	3%
Total	1,707	1,698	569	2,213	3,745	100%

The term PFI Credits was used up to 2010-11 from when PFI credits were abolished. Spend figures only reflect the value of projects that have reached contract signature in that year and are not a reflection of actual projects in procurement within the PFI programme. Depending on a number of factors projects reaching contract signature can vary dramatically from year to year.

Chart 4.6b: PFI supported capital costs by service 2010-11



CHAPTER 5

Assets and liabilities

5.0.1 This chapter sets out the assets and liabilities of local authorities. It is divided into the following sections:

- **Local authority fixed assets** **section 5.1**
- **Outstanding debt and holdings of investments** **section 5.2**
- **Borrowing and investment transactions** **section 5.3**
- **Prudential system** **section 5.4**

5.1 Local authority fixed assets

5.1.1 The following tables and map provide the value of local authority fixed assets at 31 March 2011 in total and by type, and:

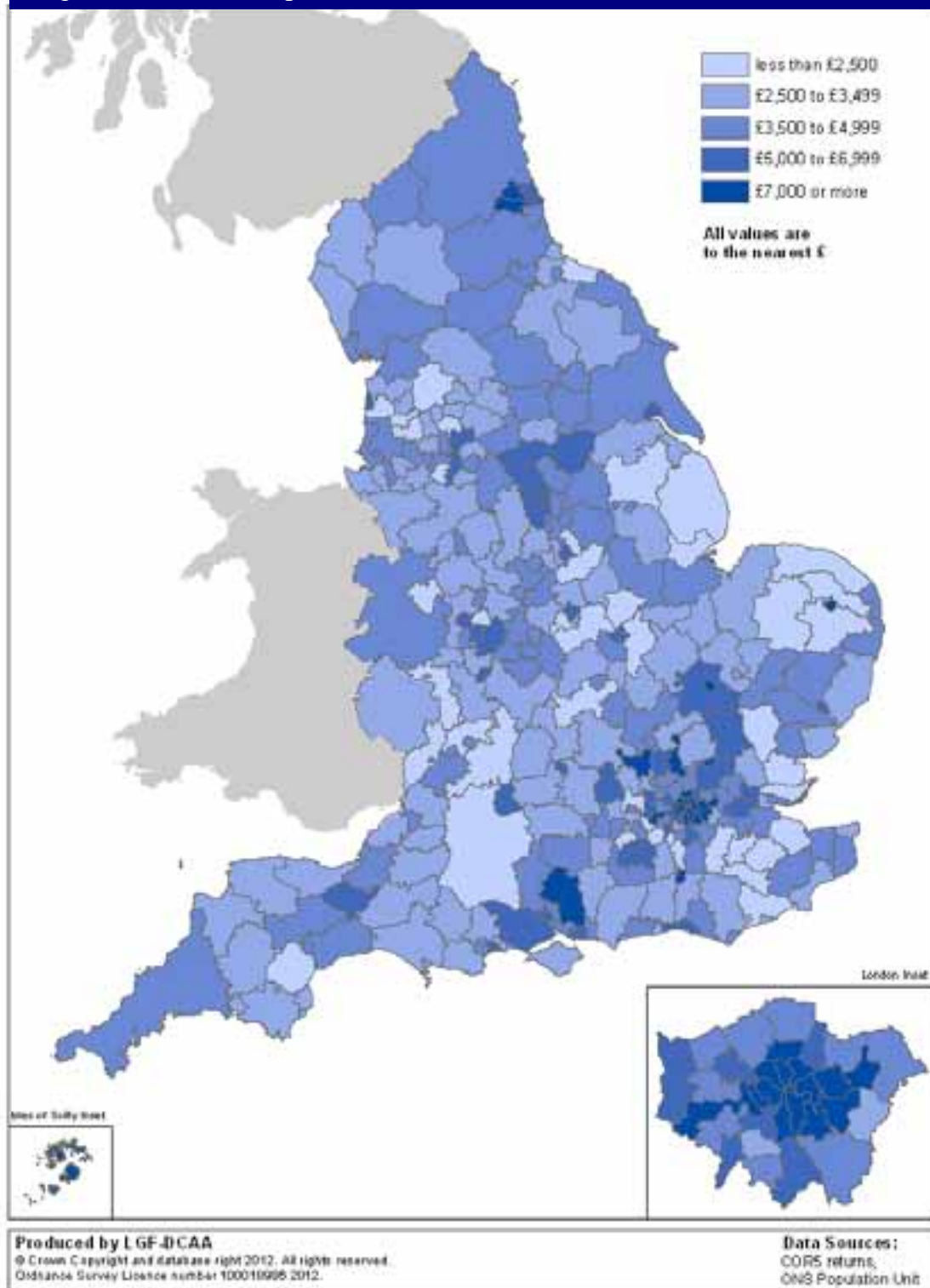
- by class of authority
- by region.

Table 5.1a: Value of fixed assets ^(a) by class of authority: 31 March 2011							£ million
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	England
Operational assets:							
i) Council dwellings	22,648	14,231	10,730	195	19,125	0	66,928
ii) Other land & buildings - education	9,164	12,821	13,229	24,922	80	24	60,240
iii) Other land & buildings - other	9,338	9,003	10,494	5,376	7,987	6,321	48,520
iv) Vehicles, plant & equipment	556	920	1,030	901	616	1,229	5,251
v) Infrastructure	3,542	6,017	6,647	9,937	641	3,995	30,779
vi) Community	383	493	573	73	380	37	1,939
vii) Surplus	210	844	651	302	212	22	2,242
viii) Assets under construction	753	1,279	1,441	1,536	399	1,357	6,765
Total operational assets	46,594	45,608	44,795	43,242	29,440	12,985	222,664
Non operational:							
Investment properties	2,072	1,747	1,870	272	2,897	62	8,920
Total value of tangible assets	48,666	47,355	46,665	43,515	32,337	13,047	231,584
Intangible assets	64	79	90	88	73	178	570
Assets for sale	173	86	102	128	90	43	621
Total value of fixed assets	48,903	47,520	46,857	43,730	32,499	13,267	232,776
Source: COR returns							
(a) Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. Other assets are included in the balance sheet at the lower of the net current replacement cost or net realisable value.							

Table 5.1b: Value of fixed assets^(a) by region: 31 March 2011

	£ million									
	North East	North West	Yorkshire & the Humber	East Midlands	West Midlands	East of England	London	South East	South West	Total England
Operational assets:										
i) Council dwellings	3,583	3,231	5,838	4,949	6,250	8,442	22,648	8,122	3,867	66,928
ii) Other land & buildings - education	2,826	7,373	6,381	4,609	6,905	7,428	9,164	10,251	5,303	60,240
iii) Other land & buildings -other	2,533	5,534	4,530	3,597	4,596	4,082	11,415	7,624	4,609	48,520
iv) Vehicles, plant & equipment	474	605	492	503	487	490	895	796	509	5,251
v) Infrastructure	2,332	4,584	3,031	2,249	2,991	3,251	6,018	3,692	2,632	30,779
vi) Community	93	248	179	135	280	125	418	209	251	1,939
vii) Surplus	165	532	382	368	107	159	210	211	107	2,242
viii) Assets under construction	331	757	583	472	658	683	1,788	982	511	6,765
Total operational assets	12,338	22,863	21,415	16,883	22,275	24,660	52,555	31,887	17,789	222,664
Non-operational:										
Investment properties	386	1,285	560	418	761	1,013	2,095	1,633	771	8,920
Total value of tangible assets	12,723	24,148	21,974	17,301	23,036	25,673	54,650	33,520	18,560	231,584
Intangible assets	22	71	48	44	54	52	171	71	37	570
Assets for sale	20	47	41	67	74	62	176	91	44	621
Total value of fixed assets	12,765	24,266	22,064	17,411	23,163	25,787	54,997	33,682	18,641	232,776
£ per head of population	4,897	3,499	4,162	3,885	4,246	4,422	7,028	3,952	3,535	4,456
Source: COR returns and ONS population estimates										
(a) Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation. Other assets are included in the balance sheet at the lower of the net current replacement cost or net realisable value.										

Map 5.1c: Total assets per head: 31 March 2011

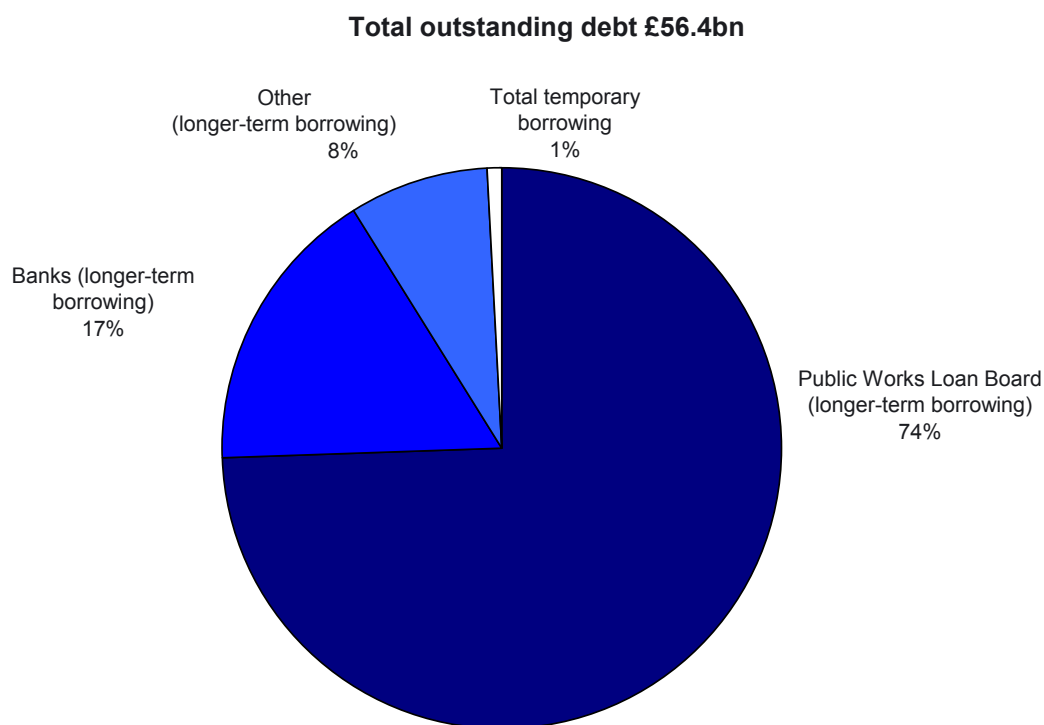


5.2 Outstanding debt and holdings of investments

5.2.1 Outstanding debt includes temporary borrowing for management of cash flow, and longer-term borrowing taken out to finance capital projects.

- The vast majority of outstanding debt is longer-term borrowing (99%) and the largest proportion of that is owed to the Public Works Loan Board (74%).

Chart 5.2a: Outstanding debt as at 31 March 2011

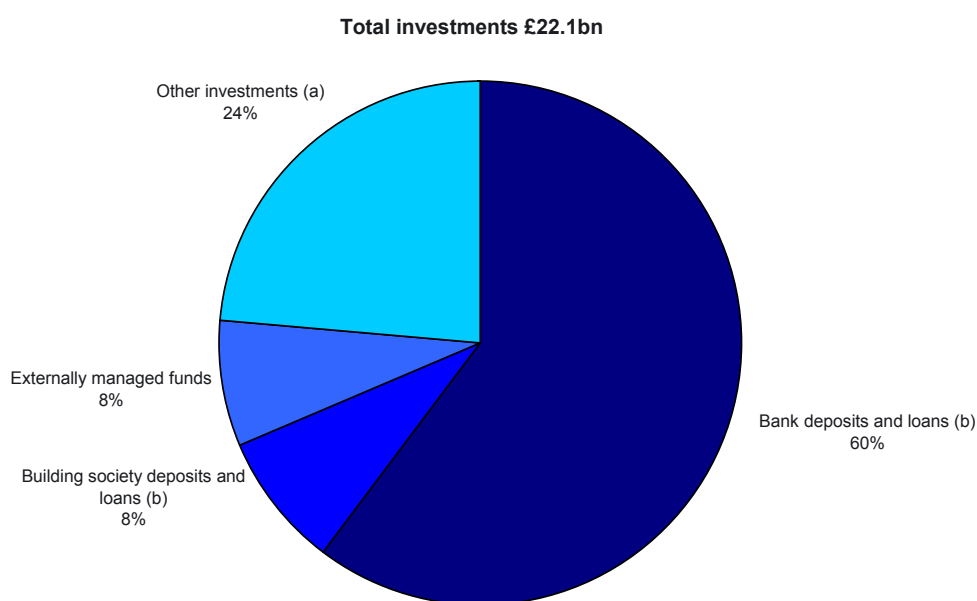


Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns, Public Works Loan Board.

5.2.2 The stock of local authority investments is the financial representation of local authorities' reserves, unused capital receipts and cash flow surpluses, though authorities that are net borrowers may use such resources to reduce their borrowing rather than holding them as investments. The 'other' section includes investments with public corporations, other financial institutions and British Government securities.

- 68% of local authority investments are deposits with banks or building societies.

Chart 5.2b: Investments as at 31 March 2011



(a) Other investments include various investment options including certificates of deposit, loans to other financial intermediaries and public corporations, the debt management account deposit facility, money market funds, rest of the world bank and building society deposits and various other securities and loans.

(b) Deposits exclude investments made with banks or building societies without a branch in the UK.

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns, Public Works Loan Board.

5.3 Borrowing and investment transactions

- 5.3.1 New borrowing and drawing down of investments are ways of accessing funds. New borrowing is a major way of financing capital spending. Funds that are received as income or capital receipts, but are not needed for immediate expenditure, may be invested or used to redeem debt.
- 5.3.2 Local Government Net Cash Requirement summarises changes in local authority borrowing less change in investments. When Net Cash Requirement is positive, local authorities are increasing their borrowing and/or reducing their investments. When Net Cash Requirement is negative, local authorities are reducing their borrowing and/or increasing their investments.

- Local government net cash requirement for 2010-11 was £1.3bn, substantially lower than the figure of £5.3bn in 2009-10, but higher than the figure for 2006-07 of £0.6bn.

Table 5.3a: Local Government Net Cash Requirement

	£ million				
	2006-07	2007-08	2008-09	2009-10	2010-11
Change in borrowing					
Temporary borrowing	205	94	155	-538	-214
Longer-term borrowing	2,333	3,696	1,034	1,358	2,195
Total change in borrowing	2,538	3,790	1,190	820	1,982
less Net change in investments	1,913	3,966	-3,463	-4,498	652
Net Cash Requirement	625	-176	4,653	5,318	1,330

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns, Public Works Loan Board, Debt Management Office.

- Total outstanding debt at 31 March 2011 for England was £56.4bn compared with £54.4bn at 31 March 2010 and £46.1bn at 31 March 2006.

Table 5.3b: Local authority borrowing 2006-07 to 2010-11

	£ million						
	Outstanding amount at 31 March 2006	Change in borrowing					Outstanding amount at 31 March 2011
	2006	2006-07	2007-08	2008-09	2009-10	2010-11	2011
Temporary borrowing							
Banks	80	33	-3	66	-109	30	98
Building societies	106	78	59	96	-277	59	121
Other financial intermediaries	525	-26	173	6	-186	-377	115
Public corporations	37	123	-138	-3	41	79	139
Private non-financial corporations	9	-2	8	-9	-2	-1	2
Central government	0	0	0	0	0	1	1
Household sector	41	-3	1	-2	-3	-6	28
Other sources	6	2	-5	1	-2	1	2
Total	803	205	94	155	-538	-214	506
Longer-term borrowing							
Negotiable bonds	394	199	0	3	1	429	1,026
Listed securities other than bonds	515	-26	-8	-94	0	-14	373
Public Works Loan Board	36,613	1,014	2,544	460	231	1,127	41,989
Banks	5,867	1,162	1,041	321	616	412	9,418
Building societies	30	8	-2	-19	29	-37	10
Other financial intermediaries	444	-208	-50	-28	-2	59	216
Public corporations	0	1	-1	1	-0	-0	1
Private non-financial corporations	2	-2	0	0	0	0	0
Central government	14	-2	-2	-2	-2	-2	4
Household sector	8	0	-1	-1	0	-2	5
Rest of the World	1,386	187	177	395	485	223	2,852
Other sources	16	0	-3	-2	0	-0	11
Total	45,289	2,333	3,696	1,034	1,358	2,195	55,906
Total borrowing	46,092	2,538	3,790	1,190	820	1,982	56,412

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns; Public Works Loan Board

5.3.3 **Table 5.3c** shows the distribution of local authority borrowing by class of authority as at 31 March 2011.

- At 31 March 2011 all 36 metropolitan districts and 27 shire counties were borrowing £50 million or more whereas 94% of shire districts were borrowing less than this amount, including 76 shire districts with no borrowing.

Table 5.3c: Local authority borrowing by class of authority: 31 March 2011

Band (£ million)	Number of Authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
zero	2	0	1	0	76	13	92
> zero less than 2	0	0	1	0	19	8	28
2 up to 10	1	0	0	0	49	21	71
10 up to 50	0	0	6	0	45	35	86
50 up to 200	10	10	31	1	11	9	72
200 up to 500	11	15	15	20	1	3	65
500 up to 1,000	8	7	2	5	0	0	22
1,000 and above	1	4	0	1	0	1	7
Total	33	36	56	27	201	90	443

Source: COR returns

- Local authority investments decreased by £4.5bn in 2009-10 and increased by £0.7bn in 2010-11.
- The amount held in externally managed funds has decreased in the last year by £0.3bn.
- In 2010-11 there was a £0.4bn decrease in building society deposits and a £1.0bn increase in both bank deposits and Treasury Bills. Investments in the Debt Management Account deposit facility decreased by £2.0bn in 2010-11 but the outstanding amount still remains higher than 2006-07 due to the large amount invested in 2008-09.
- Deposits in building societies increased during 2006-07 and 2007-08 but have since fallen sharply to £1.8bn.

Table 5.3d: Local authority investments 2006-07 to 2010-11

	£ million						
	Outstanding amount at 31 March 2006	Change in investments					Outstanding amount at 31 March 2011
		2006-07	2007-08	2008-09	2009-10	2010-11	
Deposits: banks	12,389	2,025	1,016	-3,217	182	974	13,370
Deposits: building societies	5,932	744	2,619	-3,088	-4,006	-377	1,823
Treasury bills	0	0	6	-6	17	1,012	1,028
Certificates of deposit: banks	35	-32	75	92	-11	-159	0
Certificates of deposit: building societies	0	0	6	-1	-5	1	1
British Government (Gilt-edge) securities	28	-24	-4	24	57	55	135
Other financial intermediaries	47	-10	98	-95	2	6	46
Public corporations	109	-9	4	3	47	3	156
Debt Management Account deposit facility ^(a)	29	-28	74	2,860	-457	-1,998	481
National Loans Fund	0	0	0	0	0	0	0
Money market funds ^(a)	279	-54	380	560	182	1,374	2,722
Externally managed funds	4,154	-911	-808	-276	-90	-334	1,733
Other investments	572	210	501	-318	-415	95	646
Total investments	23,573	1,913	3,966	-3,463	-4,498	652	22,142

Source: Monthly Borrowing (MB) and Quarterly Borrowing (QB) returns, Debt Management Office

(a) Changes to the investments regulations with effect from 1st April 2002 enabled authorities to invest in the Government's Debt Management Account deposit facility and in commercial money market funds. More substantial changes to the investment regime with effect from 1st April 2004 gave authorities greater freedom, by removing most restrictions on the choice of investment options and the periods for which funds could be committed.

5.4 Prudential system

- 5.4.1 The prudential system (Part 1 of the Local Government Act 2003) took effect from 1 April 2004 and applied with effect from 2004-05. It allows local authorities to raise finance for capital expenditure - without government consent - where they can afford to service the debt without extra government support.
- 5.4.2 Authorities are required to make prudent provision for debt redemption, but decisions about debt management are for authorities. The prudential system has not maintained the artificial incentives to acquire debt-free status that were in place before 1 April 2004.
- 5.4.3 Final figures for 2010-11, are now available and these are given in **Table 5.4a**.
- 5.4.4 In planning what level of capital expenditure is affordable, local authorities now follow procedures for setting and revising prudential indicators as set out in the Prudential Code. These include:
- estimates of capital expenditure (see **Chapter 4**)
 - estimates of the capital financing requirement that is the underlying need to borrow for a capital purpose. It relates to all capital expenditure (that is including relevant expenditure incurred in previous years) and is calculated directly from the balance sheet
 - actual external debt that is gross borrowing and other long-term liabilities
 - operational boundary for external debt - based on an authority's working estimate of most likely (that is prudent), but not worst case scenario
 - authorised limit for external debt - the intended absolute limit that has to be set by the full council.
- 5.4.5 **Table 5.4d** sets out the aggregate England figures for these indicators as well as the level of investments.

- About 66% of authorities used the powers to finance capital expenditure through self-financed borrowing in 2010-11, compared with 53% in 2006-07.

Table 5.4a: Prudential system, self-financed borrowing by class of authority

	Percentage of authorities using self-financed borrowing					Amount of expenditure financed					Average amount per authority using self-financed borrowing				
	%					£million					£million				
	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11	2006-07	2007-08	2008-09	2009-10	2010-11
London boroughs	70	76	70	76	82	183	300	373	466	407	8	14	16	19	15
Metropolitan districts	97	100	97	100	100	535	792	1,224	1,137	1,218	15	23	35	32	34
Unitary authorities	79	91	83	91	96	260	360	343	679	855	7	9	9	13	16
Shire counties	88	85	91	85	96	507	517	739	572	655	17	17	24	25	25
Shire districts	34	49	42	49	49	122	153	187	248	300	2	2	2	3	3
Greater London Authority	100	100	100	100	100	574	895	1,114	1,560	2,485	574	895	1,114	1,560	2,485
Other authorities ^(a)	49	55	54	55	54	109	170	243	340	415	2	4	5	7	9
All English authorities	53	64	58	64	66	2,291	3,186	4,224	5,002	6,335	9	12	15	18	22

Source: COR returns

(a) Other includes police, fire and rescue, parks and waste authorities.

5.4.6 **Table 5.4b** shows the distribution of proportion of capital spending financed by self-financed borrowing by class of authority.

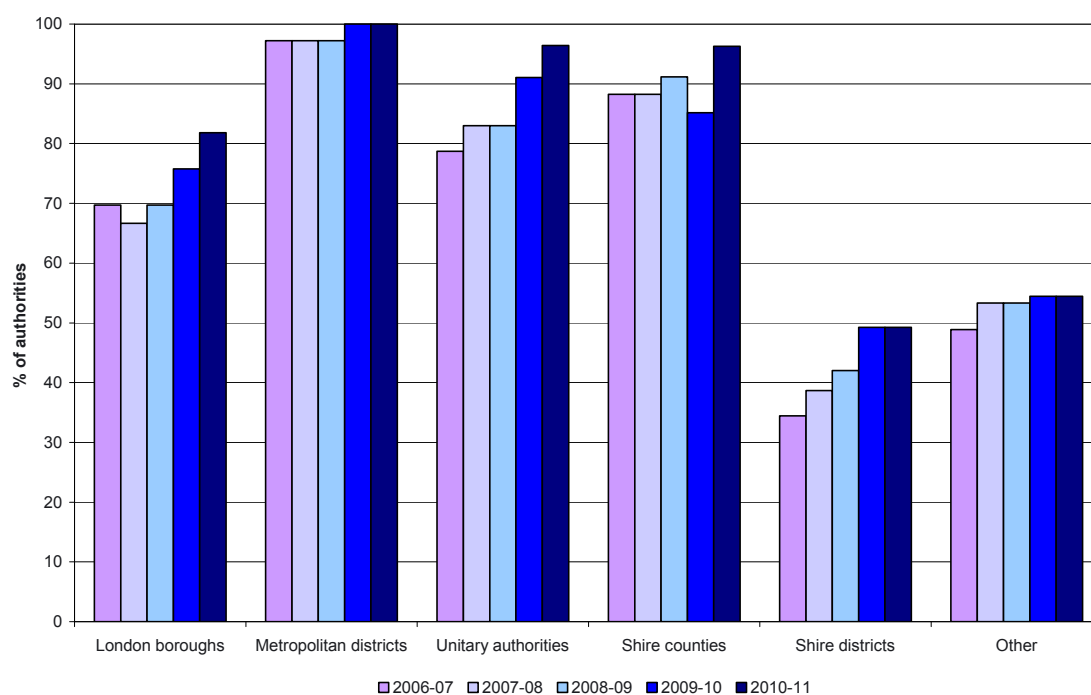
- The extent to which the powers are being used varies considerably by class of authority. While all of the 36 metropolitan districts are now using the borrowing powers, only 49% of shire districts did so in 2010-11.
- All London boroughs and shire counties financed less than 50% of their capital expenditure by their self-financed borrowing.

Table 5.4b: Proportion of capital spending financed by self-financed borrowing by class of authority 2010-11

Band (%)	Number of authorities						England
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	
zero	6	0	2	1	102	41	152
> zero less than 10	9	9	9	8	26	7	68
10 up to 20	9	10	18	9	31	4	81
20 up to 50	9	14	26	9	31	18	107
50 up to 100	0	3	1	0	11	17	32
100	0	0	0	0	0	3	3
Total	33	36	56	27	201	90	443

Source: COR returns

Chart 5.4c: Authorities using self-financed borrowing in 2006-07 to 2010-11: by class of Authority



- At 1 April 2010 total gross long-term borrowing amounted to 25% of the value of local authority assets at that date. At 31 March 2011 this proportion had changed slightly to 29% of the value of local authority assets at that date.

Table 5.4d: Prudential system information 2010-11

			£ million
Reported by local authorities			
	As at 1 April 2010	In 2010-11	As at 31 March 2011
Capital Financing Requirement as at 1 April 2010	71,248		
Capital expenditure to be resourced by means of credit (+)		9,185	
Minimum Revenue Provision (-)		1,974	
Additional contribution from revenue (-)		357	
Contribution from Major Repairs Reserve (-)		73	
Use of receipts (-) ^(a)		52	
Change in Capital Financing Requirement		6,728	
Capital Financing Requirement as at 31 March 2011			77,976
Gross borrowing	56,249		61,108
Other long-term liabilities	6,213		6,412
Total external debt	62,462		67,521
Operational boundary for external debt	77,488		83,023
Authorised limit for external debt	89,594		95,707
Investments			
	21,043		22,500
Source: COR returns			
(a) Any capital receipts used to repay principal of any amount borrowed or to meet any liability in respect of credit arrangements, as authorised in Regulation 23(b) and 23(d). Unlike the corresponding line in Table 4.6e "Usable receipts voluntarily set aside as provision to meet credit liabilities", it excludes receipts used under Regulation 23(c) to repay premiums charged in relation to amounts borrowed.			

5.4.7 **Table 5.4e** shows the distribution of gross long-term borrowing as a percentage of assets by class of authority as at 31 March 2011.

- Only two London boroughs had no gross long-term borrowing as a percentage of assets compared to seventy six districts.
- All metropolitan districts and all but one of the shire counties had gross long-term borrowing of 10% or more of their assets.

Table 5.4e: Gross long-term borrowing as a percentage of assets by class of authority: 31 March 2011							
Band (%)	Number of authorities						
	London boroughs	Metropolitan districts	Unitary authorities	Shire counties	Shire districts	Other authorities	England
zero	2	0	1	0	76	13	92
>zero less than 5	1	0	3	0	46	5	55
5 up to 10	4	0	3	1	25	5	38
10 up to 20	10	5	21	9	34	18	97
20 up to 30	9	12	21	5	9	9	65
30 up to 40	3	12	5	10	7	14	51
40 and above	4	7	2	2	4	26	45
Total	33	36	56	27	201	90	443
Source: COR returns							

CHAPTER 6

Local government pay and workforce

6.0.1 This chapter provides an overview of local government pay and workforce figures. It is divided into the following sections:

- **Summary of local government employment** **section 6.1**
- **Local government expenditure and pay** **section 6.2**
- **Workforce numbers** **section 6.3**

6.1 Summary of local government employment

6.1.1 Local government is collectively one of the largest employers in England, employing nearly 1.8m full time equivalent staff (FTEs). Of all local authority employees, over 0.4m FTEs work in education, almost 0.3m work in protection, law and order: police, traffic wardens, police civilians and firefighters, and almost 1.1m work in administration and other support services.

6.1.2 The main pay negotiating groups in local government employment in England are:

- Teachers
- Police
- Police Support Staff
- Firefighters; and
- Other Local Government Staff.

6.1.3 These pay negotiating groups cover the majority of local government employees. For the purposes of this publication, police and police support staff are treated as one group. Each pay negotiating group is responsible for negotiating, amongst other aspects, the pay rewards for employees in their group.

6.1.4 The group classified as ‘Other Local Government Staff’. is covered by a number of separate negotiating bodies and includes fire support staff, all non-teachers working in education including teaching assistants, and all other local government employees such as social workers, planners, chief executives, chief officers and other administrative staff.

6.2 Local government expenditure and pay

6.2.1 In 2010-11, local government employee expenditure accounted for 49 per cent of all local government service expenditure (gross of income) and was the single largest area of spending for local government. Employee expenditure includes pay, employers’ National Insurance and pensions contributions, location allowances and other employee related costs such as training and recruitment and retention premia.

6.2.2 **Table 6.2a** shows employee expenditure as a proportion of service expenditure for each of the service areas for 2010-11. Employee expenditure accounted for 64 per cent of education

service expenditure and Police and Fire services employee expenditure accounted for 83 per cent and 77 per cent of service expenditure, respectively.

- In 2010-11, 49 per cent of Local Government **service expenditure** (gross of income) was spent on employees. This is unchanged from 2009-10.

Table 6.2a: Employee expenditure as a proportion of total service expenditure for 2010-11

	£ billion		Employees as %
	Employee expenditure	Total service expenditure	of total service expenditure
Education services	32.4	50.9	64%
Highways, roads and transport services	1.3	8.5	16%
Social services	7.2	27.0	27%
Housing services ^(a)	0.8	3.5	23%
Cultural and related services	1.8	4.7	39%
Environmental services	1.8	6.9	26%
Planning and development services	1.3	3.4	37%
Police services	10.8	12.9	83%
Fire and rescue services	1.7	2.3	77%
Central services	6.3	13.4	47%
Other services	0.2	0.5	33%
Total service expenditure	65.5	134.0	49%

Source: RSX form (2010-11) on a non-FRS17 basis.

(a) Expenditure on the General Fund Revenue Account only.

6.2.3 **Table 6.2b** illustrates levels of local government pay since 2008-09 for each of the main pay negotiating groups, based on data collected and validated from the Subjective Analysis Return which is completed by a sample of authorities in England (128 out of 444 in 2010-11).

- Employee expenditure rose from £62.9bn to £65.5bn between 2008-09 and 2009-10 and remained at this level in 2010-11. The majority of this expenditure was on pay (77 per cent), which totalled £50.5bn in 2010-11.

Table 6.2b: Local government pay by pay negotiating group 2008-09 to 2010-11

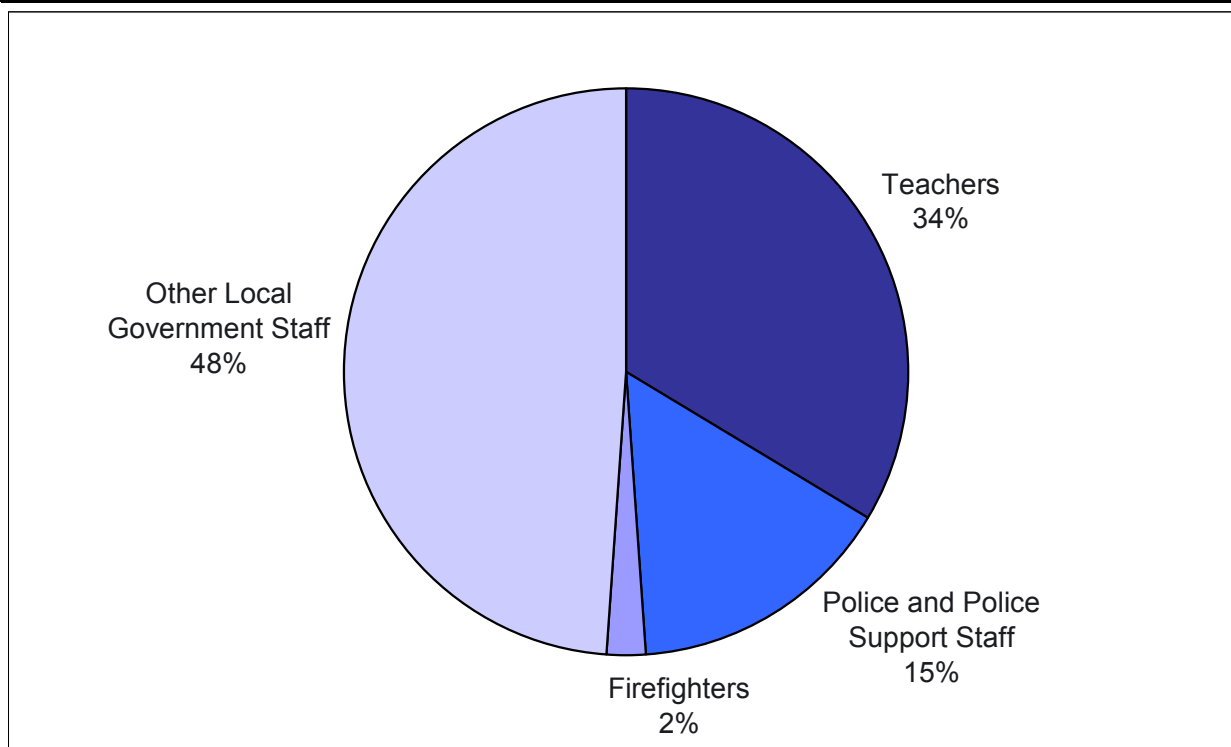
	£ billion		
	2008-09	2009-10	2010-11
Teachers	16.9	17.3	16.9
Police and Police Support Staff	7.6	7.8	7.8
Firefighters	1.1	1.1	1.1
Other Local Government Staff	23.9	24.8	24.7
Total pay ^(a)	49.6	51.0	50.5
Total non-pay for all groups ^(b)	11.7	12.0	12.2
Total employee expenditure ^(c)	62.9	65.5	65.5

Source: Revenue Outturn - Subjective Analysis Return (SAR).
(a) Includes overtime, bonuses, golden handshakes, etc.
(b) Includes employers' National Insurance, pensions contributions and location allowances.
(c) Includes pay, non-pay and other pay related costs such as recruitment, retention and training, which are not included elsewhere above.

6.2.4 **Chart 6.2c** shows the proportion of local government pay accounted for by each pay negotiating group in 2010-11.

- Nearly half (48 per cent) of total pay was accounted for by Other Local Government staff, with a further 34 per cent accounted for by Teachers.

Chart 6.2c: Proportion of local government pay by pay negotiating group in 2010-11



6.2.5 **Table 6.2d** illustrates how pay has increased across all pay negotiating groups since 2008-09.

- Total employee expenditure decreased by 0.1 per cent between 2009-10 and 2010-11, with pay costs decreasing by 1.0 per cent and non-pay costs increasing by 1.7 per cent.
- Between 2009-10 and 2010-11, the largest change was in expenditure on Teachers' pay which decreased by 2.0 per cent, and the smallest in Police and Police Support Staff which decreased by 0.1 per cent.

Table 6.2d: Annual percentage change in pay by negotiating group 2008-09 to 2010-11

	2008-09	2009-10	% change 2010-11
Teachers	1.7	2.3	-2.0
Police and Police Support Staff	4.5	2.1	-0.1
Fire	-1.1	1.6	-0.6
Other Local Government Staff	5.9	3.8	-0.5
Total pay ^(a)	4.1	2.9	-1.0
Total non-pay across all groups ^(b)	4.3	2.8	1.7
Total employee expenditure ^(c)	2.0	4.1	-0.1

Source: Revenue Outturn - Subjective Analysis Return (SAR).

(a) Includes overtime, bonuses, golden handshakes, etc.

(b) Includes employers' National Insurance, pensions contributions and location allowances.

(c) Includes pay, non-pay and other pay related costs such as recruitment, retention and training, which are not included elsewhere above.

6.3 Workforce numbers

6.3.1 **Table 6.3a** shows the number of FTE staff in local government between 2008-09 and 2010-11 in England.

- In 2010-11, there were nearly 1.7m FTE staff in local government, of which almost 1.0m were other local government staff and 0.4m were teachers.
- The number of FTE staff decreased by 6% in 2010-11 with the largest percentage fall in the "other local government staff" category.

Table 6.3a: Number of full-time equivalent employees ^(a) 2008-09 to 2010-11

	2008-09	2009-10	thousand 2010-11	% change 2008-09 to 2010-11	% of total 2010-11
Teachers ^(b)	433	433	425	-1.8	25
Police ^(c)	136	136	131	-3.6	8
Police Support Staff ^(d)	94	96	89	-5.3	5
Firefighters ^(e)	43	43	43	-1.9	3
Other Local Government Staff ^(f)	1,076	1,075	988	-8.2	59
Total	1,783	1,783	1,677	-6.0	100

(a) Full-time equivalent figures including those on maternity/paternity leave.

(b) Source: Department for Education

(c) Source: Home Office. Includes ACPO ranks, Chief Superintendents, Superintendents, Chief Inspectors, Inspectors, Sergeants and Constables.

(d) Source: Home Office. Includes Traffic Wardens, Police Community Support Officers and Designated Officers. Also includes staff on career breaks.

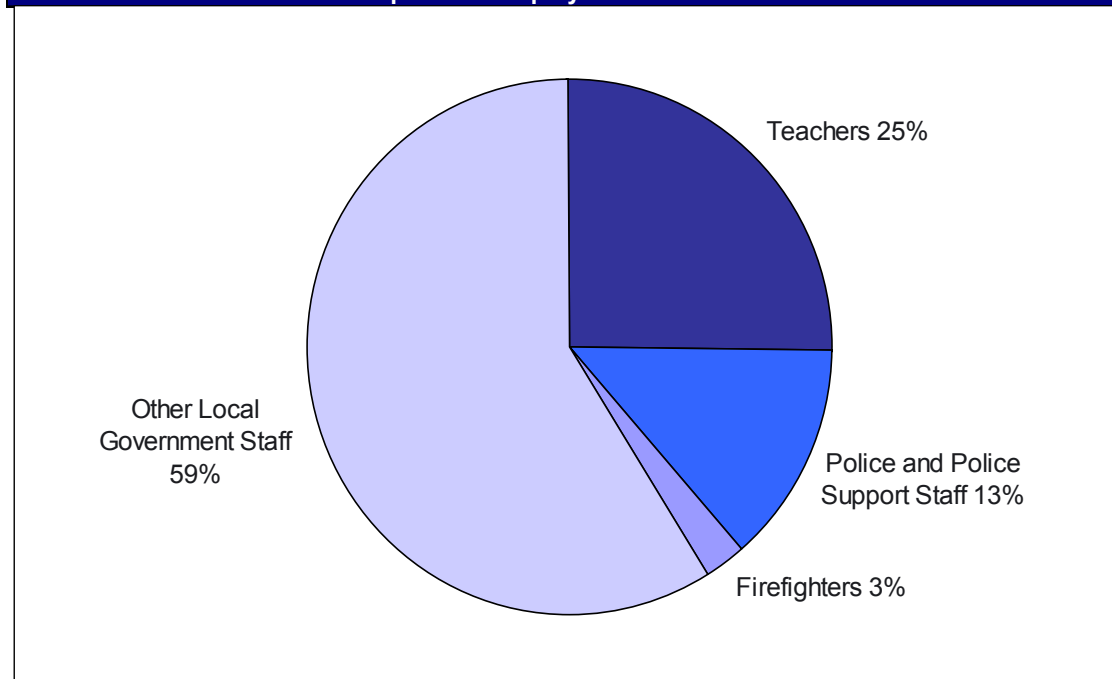
(e) Source: DCLG

(f) Source: Office for National Statistics

6.3.2 **Chart 6.3b** illustrates the proportion of FTE staff working in each area of local government in 2010-11.

- In 2010-11, other Local Government employees accounted for the majority of all local government employees, making up 60 per cent. The next largest group of employees was Teachers who accounted for a quarter.

Chart 6.3b: Number of full-time equivalent employees in 2010-11



CHAPTER 7

Local authority pension funds

7.0.1 This chapter describes the pensions for local authority employees. It is divided into the following sections:

- **Pensions for local authority employees** **section 7.1**
- **The Local Government Pension Scheme** **section 7.2**
- **The Firefighters' Pension Schemes** **section 7.3**

7.1 Pensions for local authority employees

7.1.1 The **pension funds** in the Local Government Pension Scheme provide pensions for most local authority employees. In England there are 81 pension funds in the Local Government Pension Scheme. The assets of the pension funds are for meeting the future pension liabilities of the funds, and are part of the financial corporations sector in the National Accounts, not part of the local government sector. Pensions paid out under the scheme are therefore part of the expenditure of the pension funds, not of the local authorities that administer them. Employers' and employees' contributions, part of the income of the funds, are recorded as expenditure by local authorities in their revenue accounts, either directly or indirectly under employees' expenses.

7.1.2 Separate arrangements apply for the pensions of the police, fire fighters and teachers. The police and fire fighters' pensions are provided through unfunded schemes administered locally, and the cost of police and fire fighters' pensions are therefore included in local authority expenditure. Teachers' pensions are provided through a notionally funded scheme administered by the Department for Education (DfE). There is no fund of assets, and teachers' pensions are paid by the DfE. Employers' and employees' contributions are paid by local authorities to the DfE and are recorded as expenditure in their revenue accounts.

7.2 The Local Government Pension Scheme

7.2.1 The following tables, charts and commentary provide information and statistics on Local Government Pension Scheme expenditure, income, the number of Local Government Pension Scheme members, the market value of the fund and the number and type of retirees from the scheme.

- Local Government Pension Scheme expenditure on benefits in 2010-11 was £6.7bn, compared with £6.3bn in 2009-10, an increase of 7%.
- In 2010-11, 84% of Local Government Pension Scheme expenditure in England was on benefits in the form of pensions and annuities or lump sums, for retired members and their dependants.
- Expenditure on lump sums paid on retirement in 2010-11 was £1,441m. This compares with £1,323m in 2009-10.

Table 7.2a: Local Government Pension Scheme expenditure 2001-02 to 2010-11

							£ million
	Expenditure on benefits ^(a)	Disposal of liabilities			Costs charged to the funds ^(c)	Other expenditure	Total expenditure
		Transfer values	Pensions Act premiums	Refunds of contributions ^(b)			
2001-02	3,463	480	24	20	201	19	4,206
2002-03	3,623	609	34	22	197	15	4,501
2003-04	3,770	645	31	27	218	18	4,709
2004-05	4,014	768	28	24	251	16	5,101
2005-06	4,272	853	29	14	290	15	5,473
2006-07	4,757	598	26	5	349	19	5,754
2007-08	<u>5,222</u>	540	19	4	375	27	<u>6,187</u>
2008-09	5,611	502	11	-	359	19	6,502
2009-10	6,317	846	12	-	384	19	7,578
2010-11	6,730	818	12	-	437	10	8,007

Source: SF3 returns

(a) A breakdown of expenditure on benefits is shown in Table 7.2b

(b) The rules on refunds changed as at 1 April 2008

(c) Administration and fund management costs

Table 7.2b: Local Government Pension Scheme expenditure on benefits 2001-02 to 2010-11

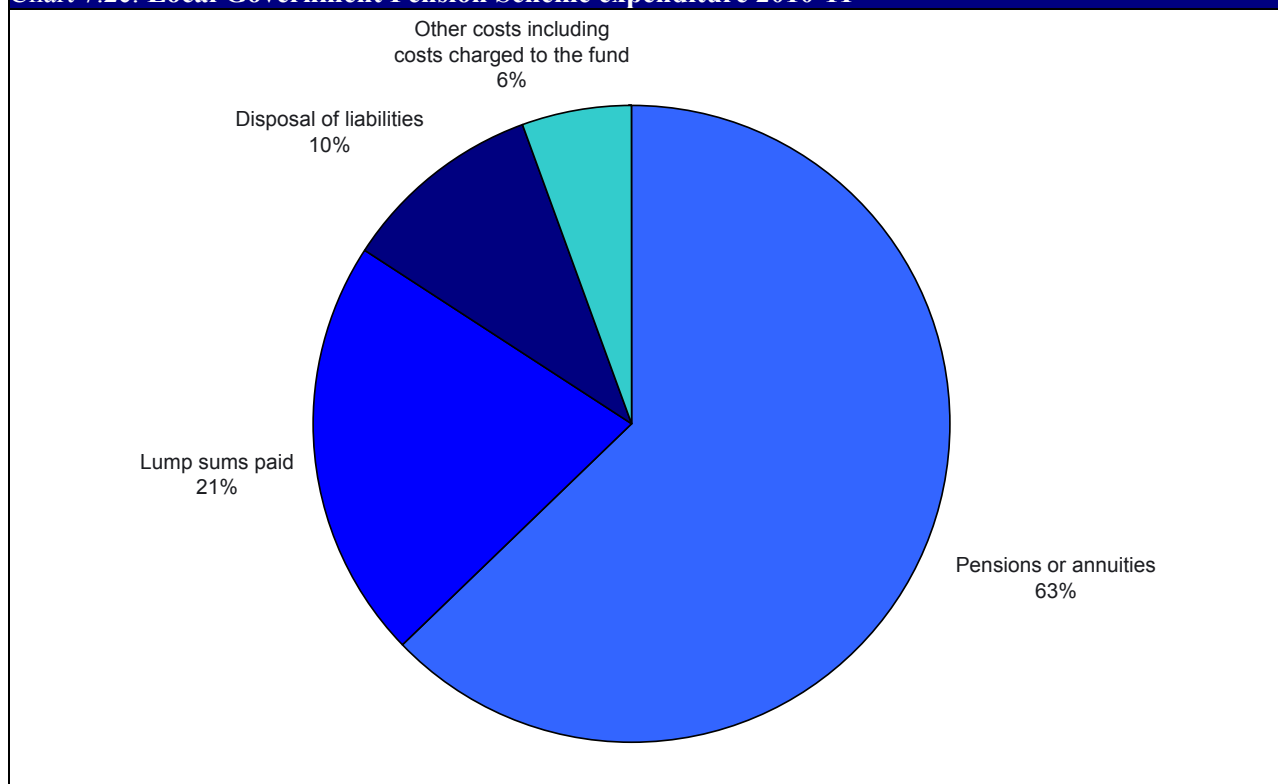
		£ million				
	Pensions or annuities paid to retired employees or dependants	Lump sums paid		Optional lump sum ^(c)	Other benefits	Total benefits
		On retirement ^(a)	On death ^(b)			
2001-02	2,973	430	59	-	2	3,463
2002-03	3,101	458	62	-	2	3,623
2003-04	3,215	483	69	-	3	3,770
2004-05	3,404	540	69	-	2	4,014
2005-06	3,611	581	78	-	2	4,272
2006-07	3,816	<u>859</u>	81	-	1	<u>4,757</u>
2007-08	4,100	<u>1,038</u>	<u>84</u>	-	1	<u>5,222</u>
2008-09	4,398	1,048	123	41	1	5,611
2009-10	4,774	1,323	137	82	1	6,317
2010-11	5,021	1,441	153	114	1	6,730

Source: SF3 returns

(a) The rules governing the payment of lump sums on retirement changed in 2006-07 and now allow beneficiaries to take some of their pension as a lump sum and less as a continuing pension.

(b) The rules changed from 1 April 2008. Prior to this date death benefit was twice salary, after this date it is three times salary.

(c) This was introduced in April 2008

Chart 7.2c: Local Government Pension Scheme expenditure 2010-11

- In 2010-11, 69% of Local Government Pension Scheme income came from employers' and employees' contributions whilst income from investments and other income provided 23% of the total.
- Income from employees' contributions to the Local Government Pension Scheme in 2010-11

was £2.0bn, almost unchanged from 2009-10. Income from employers' contributions to the scheme rose by 3% to £5.9bn in the same period.

- In 2010-11, income from investments rose by 5% when compared to 2009-10 to £2.7bn; this is still £0.5bn, or 15% below the level of 2007-08.

Table 7.2d: Local Government Pension Scheme income 2001-02 to 2010-11

	Contributions (including those from admitted authorities)					£ million
	Employees ^(a)	Employers ^(b)	Investment income (gross)	Transfer values	Other income	Total income
2001-02	1,139	2,617	2,207	688	26	6,677
2002-03	1,228	2,916	2,054	790	26	7,014
2003-04	1,334	3,217	2,145	840	37	7,573
2004-05	1,431	3,544	2,322	987	40	8,325
2005-06	1,576	4,124	2,639	1,044	43	9,426
2006-07	1,605	4,626	3,019	754	59	10,063
2007-08	1,680	5,009	3,165	707	50	10,610
2008-09	1,926	5,400	2,873	557	50	10,806
2009-10	1,974	5,759	2,572	800	58	11,163
2010-11	1,966	5,947	2,696	791	96	11,496

Source: SF3 returns

(a) The rate of employee's contribution to the scheme changed from 1 April 2008 from a flat rate for all employees to a variable rate dependent on salary.

(b) Includes employers' secondary contributions

Chart 7.2e: Local Government Pension Scheme income 2010-11

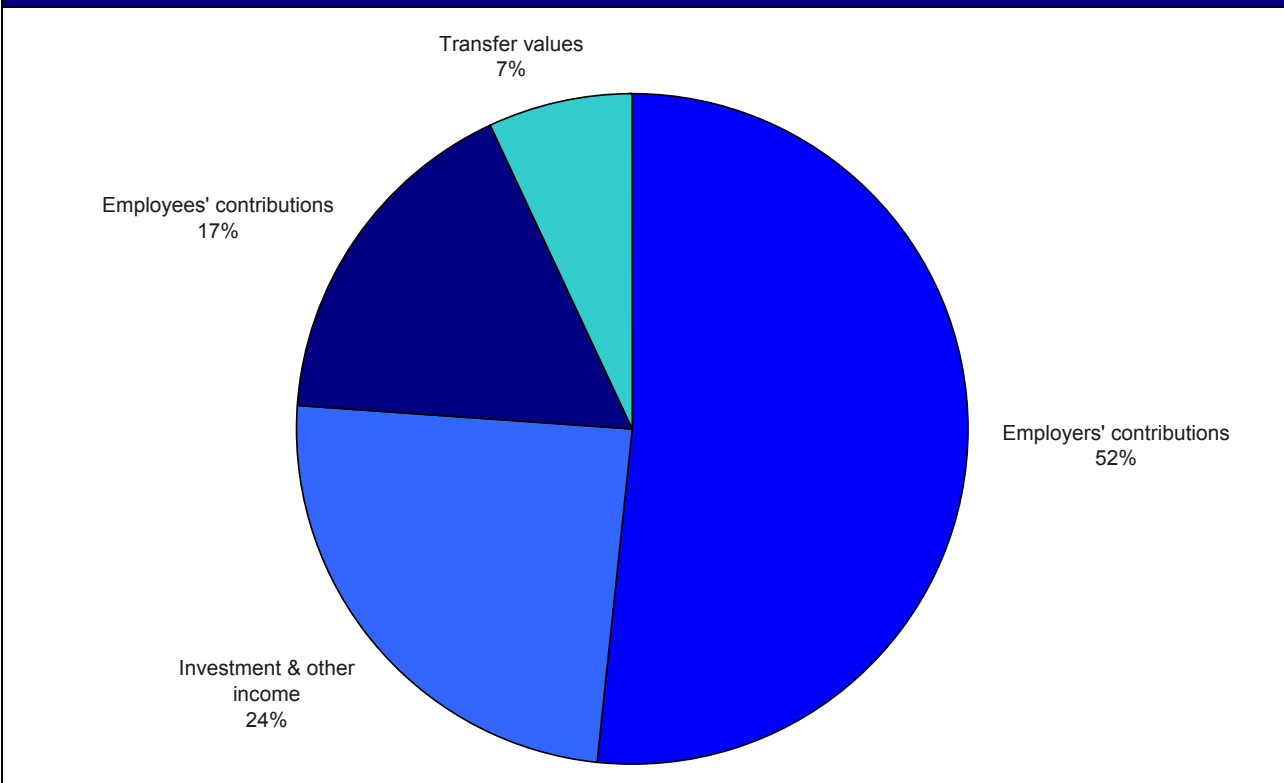
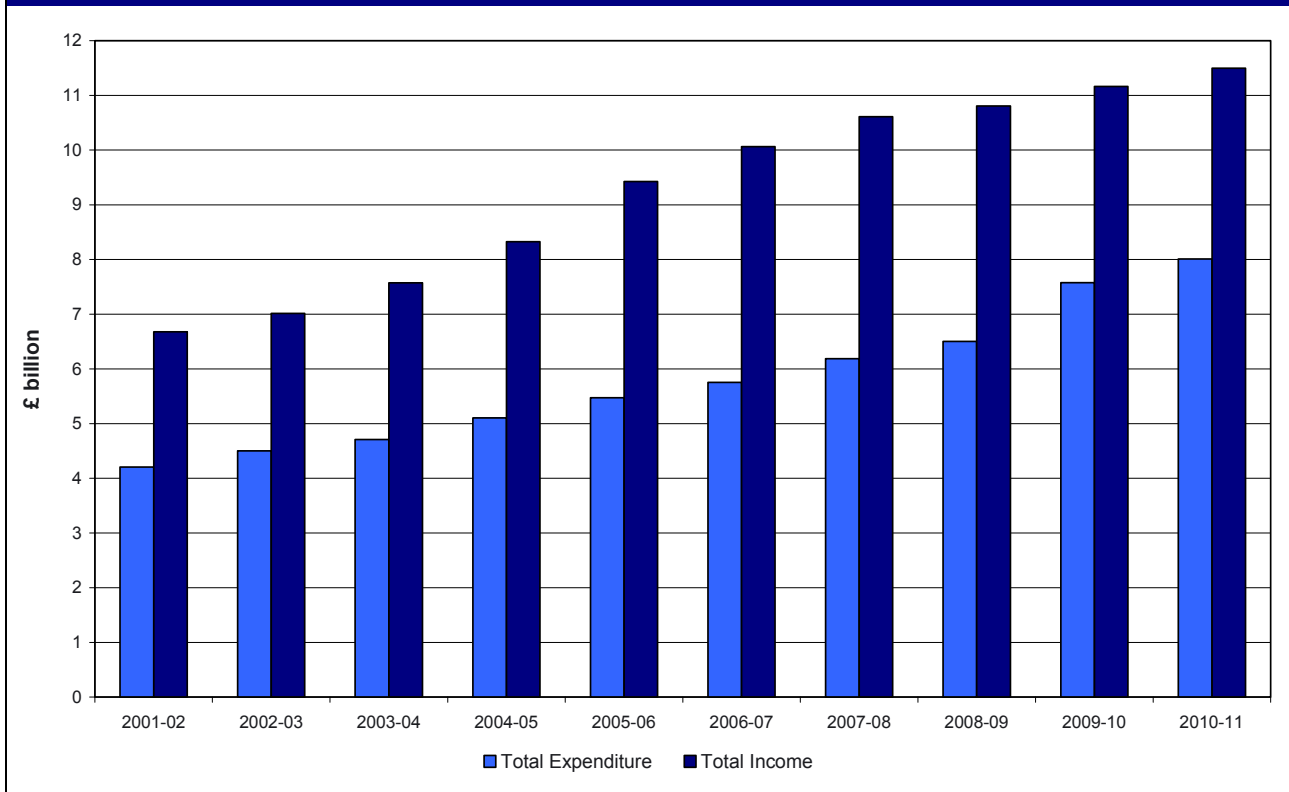


Chart 7.2f: Local Government Pension Scheme total expenditure and income 2001-02 to 2010-11



- There were 1.6m employees in the Local Government Pension Scheme at the end of March 2011, a decrease of 51 thousand, or 3%, over the figure for March 2010. There are now fewer employees in the Local Government Pension Scheme than at the end of March 2007.
- During 2010-11 the number of pensioners rose by 56 thousand to 1.2m, an increase of 5% over the figure for the end of 2009-10.
- In 2010-11, the number of former employees entitled to deferred benefits rose by 81 thousand to 1.3m, an increase of 7% over 2009-10 and an increase of 41% over 2006-07.
- The market value of the funds at end of March 2011 was £143bn, an increase of 26% on March 2006 and an increase of 47% on March 2009.

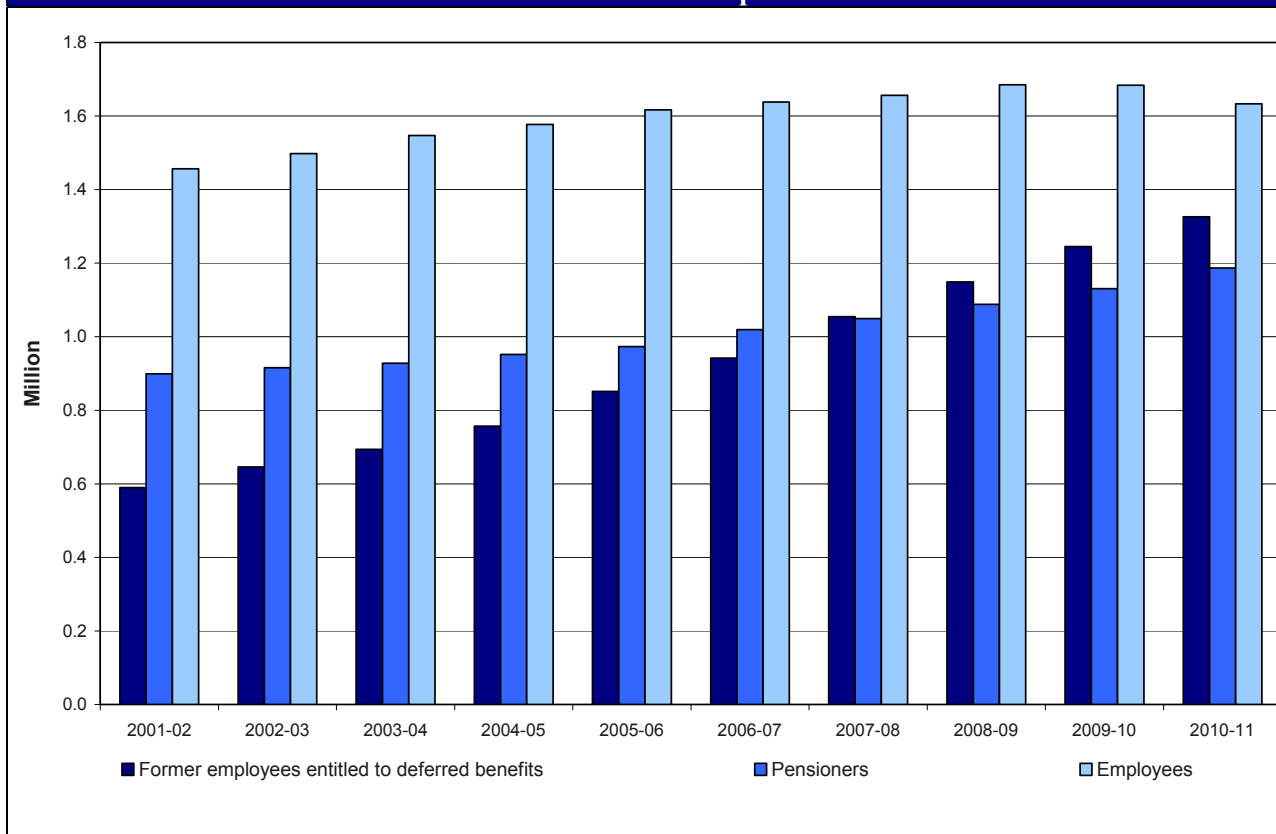
Table 7.2g: Number of Local Government Pension Scheme members and market value of funds 2001-02 to 2010-11

	Number of scheme members at end of each year (thousand)				Market value of funds at end of year (£ million)
	Employees	Pensioners	Former employees entitled to deferred benefits	Former employees to whom Reg. 18 applies (a)	
2001-02	1,457	899	590	-	78,285
2002-03	1,498	916	646	-	63,728
2003-04	1,547	928	694	-	79,382
2004-05	1,577	952	757	-	89,530
2005-06	1,617	973	851	-	112,967
2006-07	1,638	1,019	942	0	122,402
2007-08	1,656	1,049	1,055	1	119,959
2008-09	1,685	1,088	1,149	2	97,272
2009-10	1,684	1,131	1,245	4	132,012
2010-11	1,633	1,187	1,326	9	142,716

Source: SF3 returns

(a) Former members to whom Regulation 18 of the 2007 Benefit Regulations (flexible retirees) applies.

Chart 7.2h: Local Government Pension Scheme membership 2001-02 to 2010-11



- The number of people leaving the Local Government Pension Scheme in 2010-11 because of redundancy increased by 40% over the 2009-10 figure.
- By 2010-11, the number of people leaving the Local Government Pension Scheme each year due to retirement has increased by 30% over the number for 2006-07.

Table 7.2i: Type of retirements from the Local Government Pension Scheme 2004-05 to 2010-11

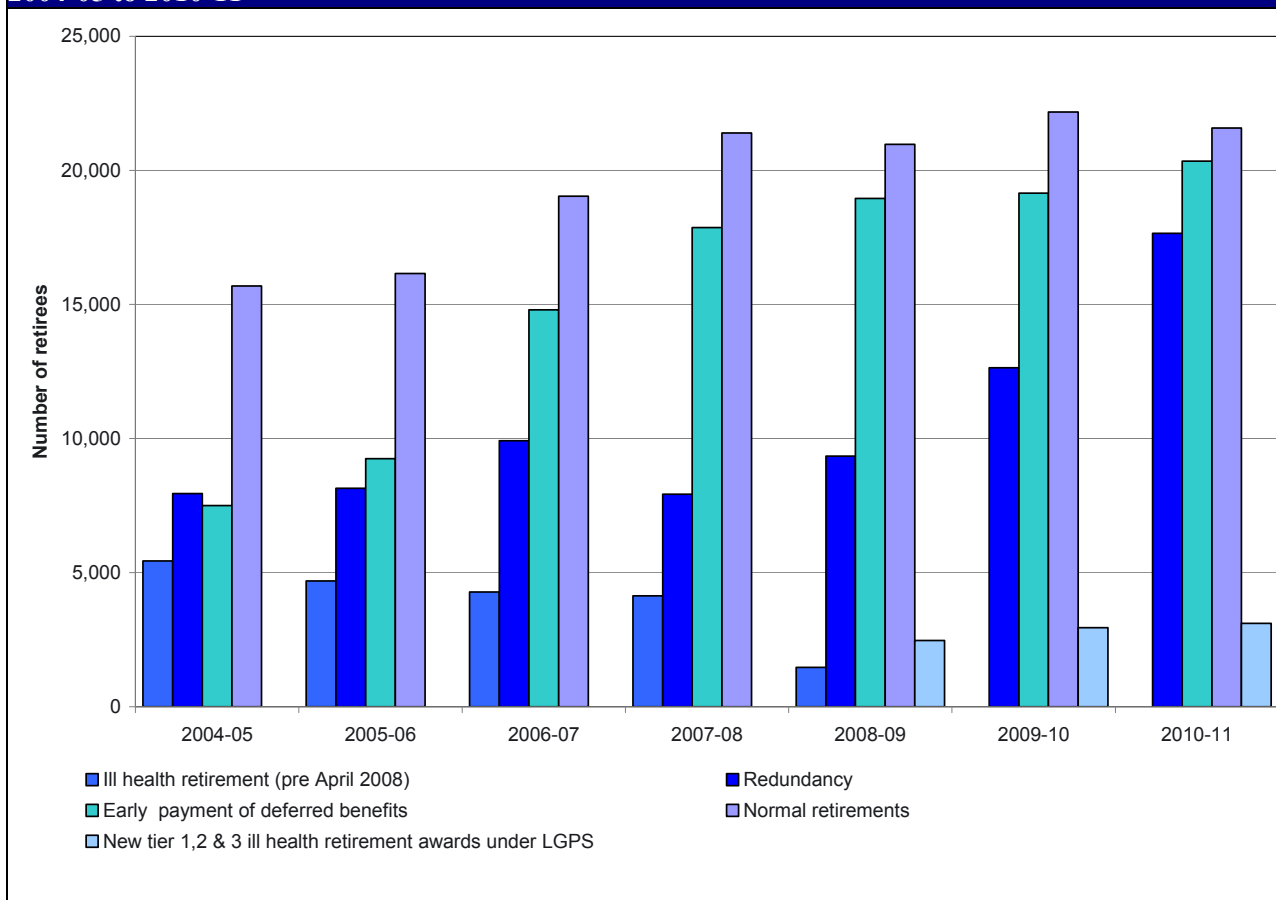
	Redundancy	Ill health retirement (pre April 2008)	New tier 1,2 & 3 ill health retirement under LGPS ^(a)	Early payment of deferred benefits ^(b)	Normal retirements	Total retirements
2004-05	7,949	5,440	-	7,506	15,689	36,584
2005-06	8,146	4,687	-	9,255	16,151	38,238
2006-07	9,923	4,279	-	14,804	19,038	48,044
2007-08	7,927	4,134	-	17,867	21,393	51,321
2008-09	9,346	1,470	2,475	18,952	20,967	53,210
2009-10	12,637	-	2,952	19,150	22,180	56,919
2010-11	17,657	-	3,111	20,344	21,585	62,697

Source: SF3 forms

a) Under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008 which came into effect on 1 April 2008, there are now three levels of ill-health retirement pension payable. These levels depend on the extent to which the incapacitating condition which gave rise to the termination of employment in local government prevents the scheme member from obtaining gainful employment in the general workforce.

b) Members who leave the scheme having completed the minimum period of service but who are not entitled to the immediate payment of a pension benefit, are awarded a deferred benefit which, under normal circumstances, becomes payable when the person reaches their normal retirement age.

Chart 7.2j: Type of retirement from the Local Government Pension Scheme membership 2004-05 to 2010-11



7.3 The Firefighters' Pension Schemes

- 7.3.1 The following tables provide information on the expenditure and income streams for the two firefighter pension schemes currently operating in England: the Firefighters' Pension Scheme 1992, which was available to regular firefighters and which closed to new membership on 5 April 2006, and the New Firefighters Pension Scheme (NFPS), which was introduced for both regular and retained firefighters employed after 5 April 2006.
- 7.3.2 Both the employer and employee pension contributions together with other sources of pension income, including transfer-in payments, ill-health charges etc, are paid into a locally managed pension fund account. Any authorised expenditure, to include pension payments, commutation lump sums and transfer-out payments, are paid out of the pension account. The annual shortfall (cashflow deficit) between the total annual pensions income received and the total annual pension expenditure paid is reimbursed to each employing Fire and Rescue Authority through the mechanism of the annual Firefighters' Pension Top Up grant, which is paid by the Department for Communities and Local Government under Annually Managed Expenditure arrangements.

- The Firefighters Pension Schemes' expenditure fell by 6% from £645m in 2009-10 to £605m in 2010-11, mainly due to lower commutation payments.

Table 7.3a: Firefighters Pension Schemes Expenditure 2008-09 to 2010-11

	2008-09	2009-10	£Million 2010-11 ^(a)
Pensions outgoings	588.3	633.6	600.2
<i>of which</i>			
<i>Commutation payments</i>	166.4	170.8	132.4
<i>Recurring outgoing payments</i>	422.1	462.7	471.0
Transfers out	2.5	9.1	4.0
Miscellaneous	0.5	2.0	0.7
Total	591.3	644.8	604.9
(a) 2010-11 figures derived from unaudited data			

- Both employee and employer contributions to the Firefighters Pension Schemes have fallen slightly in each of the last two years.

Table 7.3b: Firefighters Pension Schemes Income 2008-09 to 2010-11

	2008-09	2009-10	£Million 2010-11 ^(a)
Employee Contributions	108.7	107.3	105.6
Employer Contributions	203.5	198.5	193.7
Ill health	6.5	4.3	3.7
Miscellaneous	0.0	23.8	0.0
<i>of which</i>			
<i>Special second commutation payment</i>	..	23.8	..
Transfers	8.8	9.1	6.2
Total	327.5	342.9	309.1
(a) 2010-11 figures derived from unaudited data			

ANNEX A

Local government geography and history

This annex contains the following geographical and historical information:

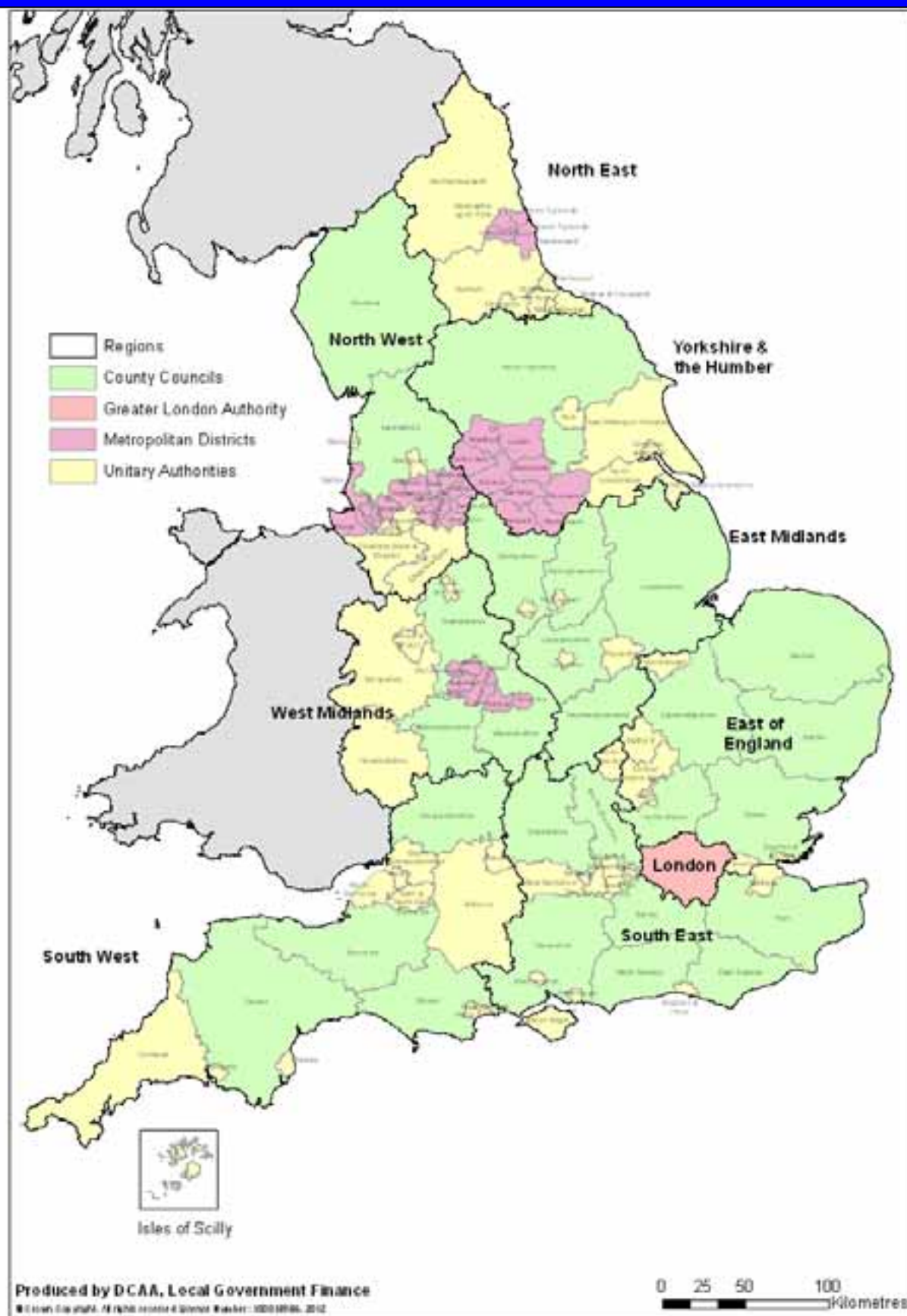
- **Maps of local authority areas in England** section A1
- **English local authority structure** section A2
- **Parish and town councils** section A3
- **Changes in English local authority functions and structure** section A4

A1 Maps of local authority areas in England

Chapter 1.3 describes the structure of local government. The following maps show all the individual shire counties and districts, metropolitan districts, unitary authorities, London boroughs and single purpose authorities from whom the Department for Communities and Local Government collects local government finance data. **Map A1a** shows all English county and regional boundaries, which are broken down to districts on **Maps A1b to A1f**.

- **All England** Map A1a
- **North East** Map A1b
- **North West** Map A1b
- **Yorkshire and the Humber** Map A1b
- **East Midlands** Map A1c
- **West Midlands** Map A1c
- **South West** Map A1d
- **South East** Map A1e
- **East of England** Map A1e
- **London** Map A1f
- **Fire (and passenger transport) authorities** Map A1g
- **Police authorities** Map A1h
- **Parks and waste authorities** Map A1i
- **Rural/urban classification at lower tier level** Map A1j
- **Rural/urban classification at higher geographies levels** Map A1k

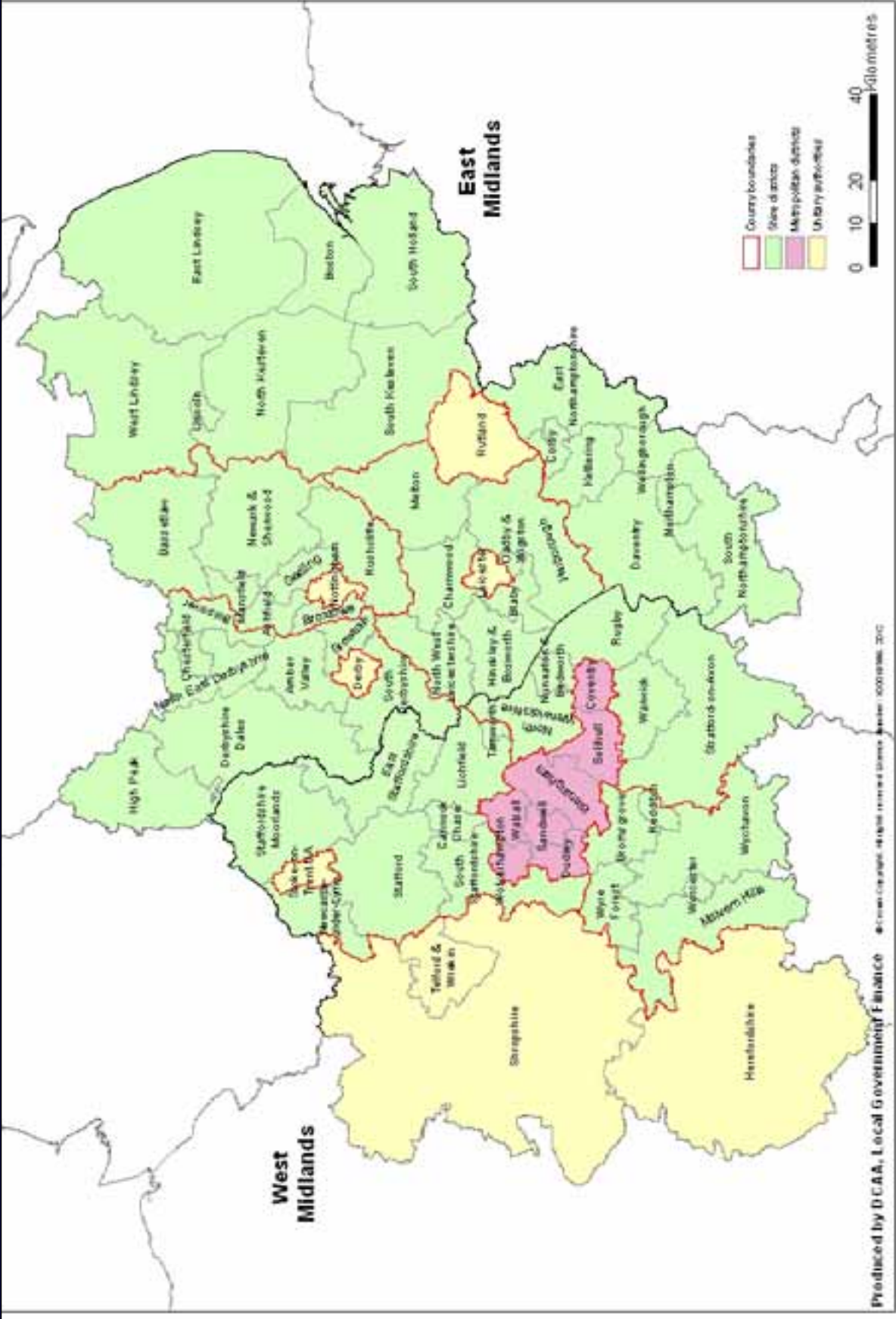
Map A1a: Government office regions; shire counties (upper tier), metropolitan districts and unitary authorities in England as at 1 April 2011



Map A1b: Local authority lower tier boundaries as at 1 April 2011 – North



Map A1c: Local authority lower tier boundaries as at 1 April 2011 – Midlands



Map A1d: Local authority lower tier boundaries as at 1 April 2011 – South West

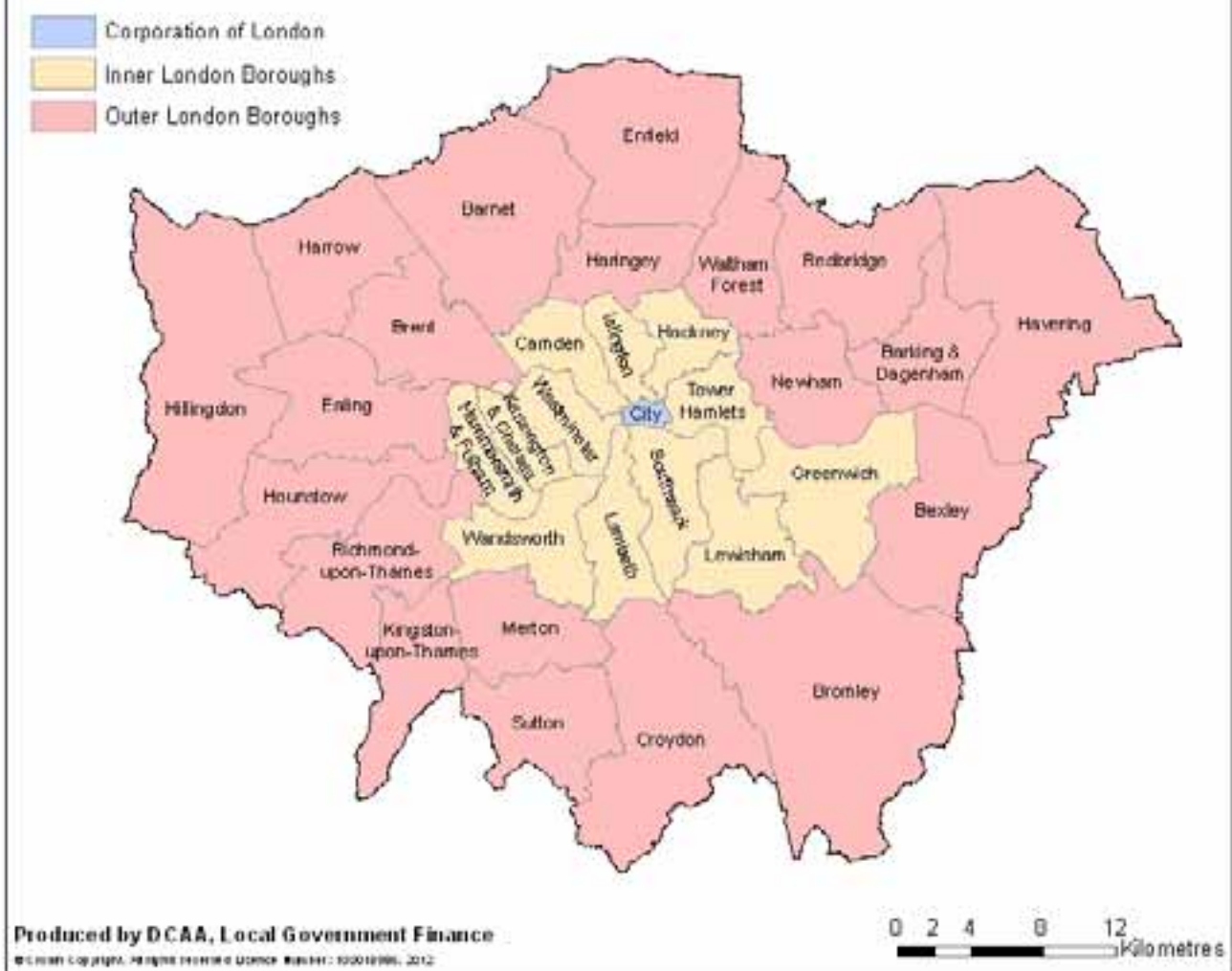


Map A1e: Local authority lower tier boundaries as at 1 April 2011 – South East



This map shows how the London boroughs are grouped into Inner and Outer London areas for the purposes of the local government finance system, as classified by the London Government Act, 1963. The City of London is normally included within statistics for Inner London.

Map A1f: Local authority lower tier boundaries as at 1 April 2011 – Greater London



This map also effectively shows **Passenger Transport Authority** areas, which share the same boundaries and names as joint fire authorities.

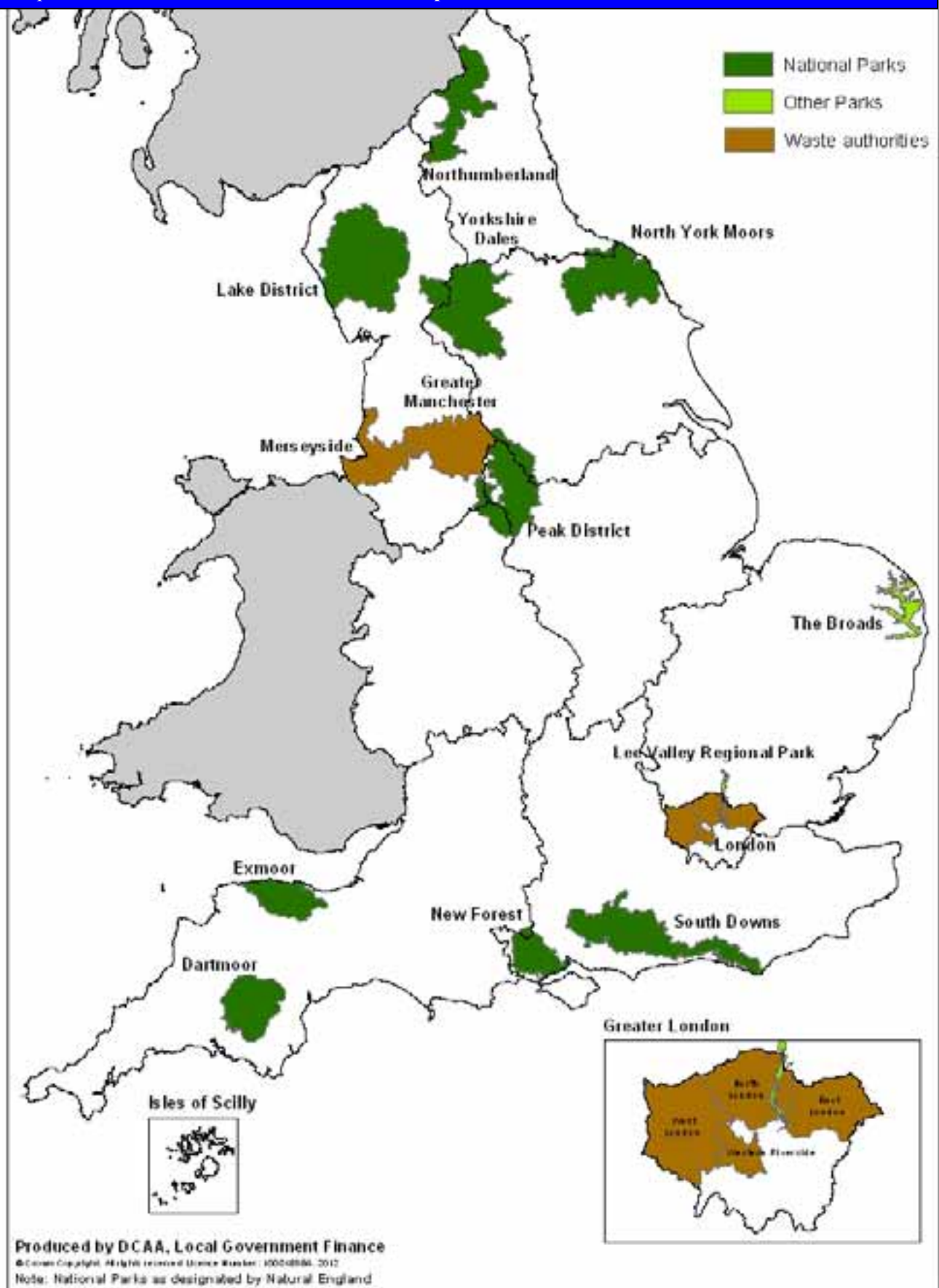
Map A1g: Fire authorities as at 1 April 2011



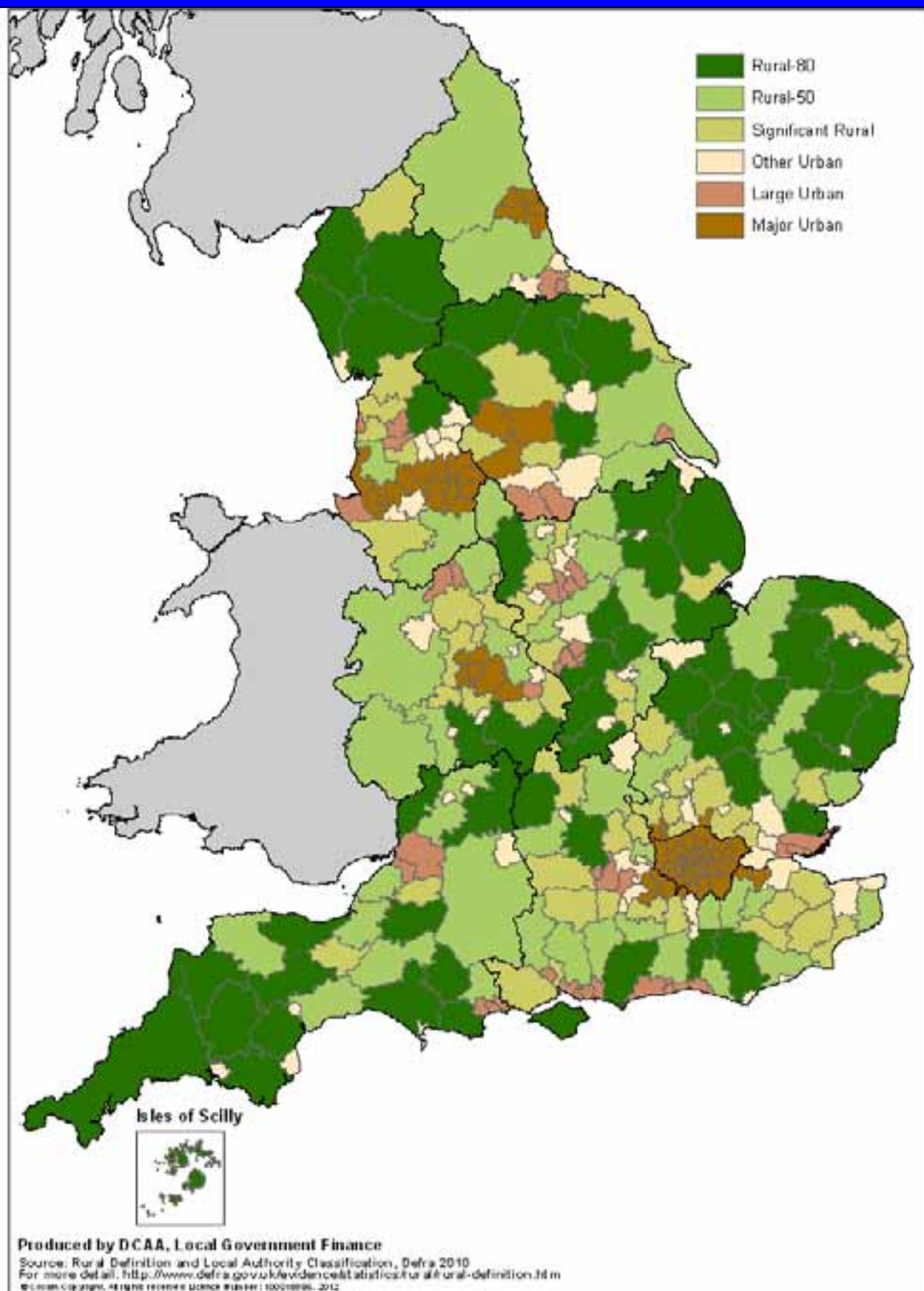
Map A1h: Police authorities as at 1 April 2011



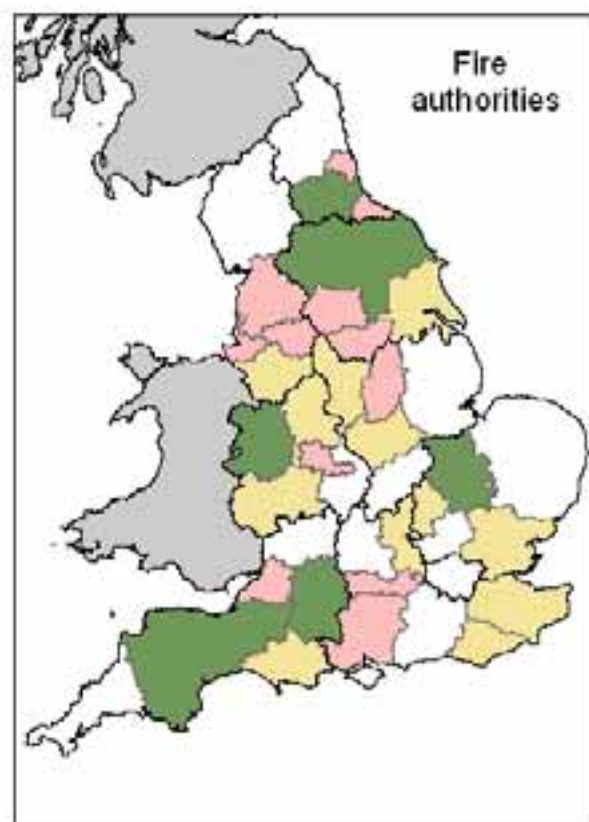
Map A1i: Parks and waste authorities as at 1 April 2011



Map A1j: Rural/urban classification at lower tier level



Map A1k: Rural/urban classification at higher geography levels



Produced by DCAA, Local Government Finance

Notes: Based on higher geographies datasets from the Rural Definition and Local Authority Classification defined by Defra and updated in 2009.
For more detail see: www.defra.gov.uk/evidence/statistics/rural/rural-definition.htm

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Rural/urban classification at lower tier level

Local Authority Classification	Description
Major Urban	Local authorities with either 100,000 people or 50% of their population in urban areas with a population of more than 750,000
Large Urban	Local authorities with either 50,000 people or 50% of their population in one of 17 urban areas with a population between 250,000 and 750,000
Other Urban	Local authorities that have less than 26% of their population in rural settlements (including larger market towns) and do not have a substantial quantity or proportion of their population living within major or large urban areas
Significant Rural	Local authorities with more than 26% but less than 50% of their population in rural settlements and larger market towns
Rural-50	Local authorities with at least 50% but less than 80% of their population in rural settlements and larger market towns
Rural-80	Local authorities with at least 80% of their population in rural settlements and larger market towns

Rural/urban classification at higher geography levels (using similar criteria to the LA classification):

Classification	% Urban	% Rural
Predominantly Urban	$\geq 74\%$	$< 26\%$
Predominantly Rural	$< 50\%$	$\geq 50\%$
Significant Rural	$< 74\%$	$\geq 26\%$

See: <http://www.defra.gov.uk/crc/documents/rural-urban-definitions/> for full details.

A2 English local authority structure

This annex shows each billing authority as at 1 April 2011 and its relationship with other tiers of local government.

Table A2a: English local authority structure as at 1 April 2011 - Shire Districts

Billing Authority	Upper Tier (County Council)	Police Authority	Fire & Rescue Authority	Region
Adur	West Sussex	Sussex Police	West Sussex CC	South East
Allerdale	Cumbria	Cumbria Police	Cumbria CC	North West
Amber Valley	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
Arun	West Sussex	Sussex Police	West Sussex CC	South East
Ashfield	Nottinghamshire	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Ashford	Kent	Kent Police	Kent Fire	South East
Aylesbury Vale	Buckinghamshire	Thames Valley Police	Buckinghamshire Fire	South East
Babergh	Suffolk	Suffolk Police	Suffolk CC	East of England
Barrow-in-Furness	Cumbria	Cumbria Police	Cumbria CC	North West
Basildon	Essex	Essex Police	Essex Fire	East of England
Basingstoke & Deane	Hampshire	Hampshire Police	Hampshire Fire	South East
Bassetlaw	Nottinghamshire	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Blaby	Leicestershire	Leicestershire Police	Leicestershire Fire	East Midlands
Bolsover	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
Boston	Lincolnshire	Lincolnshire Police	Lincolnshire CC	East Midlands
Braintree	Essex	Essex Police	Essex Fire	East of England
Breckland	Norfolk	Norfolk Police	Norfolk CC	East of England
Brentwood	Essex	Essex Police	Essex Fire	East of England
Broadland	Norfolk	Norfolk Police	Norfolk CC	East of England
Bromsgrove	Worcestershire	West Mercia Police	Hereford and Worcester Fire	West Midlands
Broxbourne	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
Broxtowe	Nottinghamshire	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Burnley	Lancashire	Lancashire Police	Lancashire Fire	North West
Cambridge	Cambridgeshire	Cambridgeshire Police	Cambridgeshire Fire	East of England
Cannock Chase	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
Canterbury	Kent	Kent Police	Kent Fire	South East
Carlisle	Cumbria	Cumbria Police	Cumbria CC	North West
Castle Point	Essex	Essex Police	Essex Fire	East of England
Charnwood	Leicestershire	Leicestershire Police	Leicestershire Fire	East Midlands
Chelmsford	Essex	Essex Police	Essex Fire	East of England
Cheltenham	Gloucestershire	Gloucestershire Police	Gloucestershire CC	South West
Cherwell	Oxfordshire	Thames Valley Police	Oxfordshire CC	South East
Chesterfield	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
Chichester	West Sussex	Sussex Police	West Sussex CC	South East
Chiltern	Buckinghamshire	Thames Valley Police	Buckinghamshire Fire	South East
Chorley	Lancashire	Lancashire Police	Lancashire Fire	North West
Christchurch	Dorset	Dorset Police	Dorset Fire	South West
Colchester	Essex	Essex Police	Essex Fire	East of England
Copeland	Cumbria	Cumbria Police	Cumbria CC	North West
Corby	Northamptonshire	Northamptonshire Police	Northamptonshire CC	East Midlands
Cotswold	Gloucestershire	Gloucestershire Police	Gloucestershire CC	South West
Craven	North Yorkshire	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber
Crawley	West Sussex	Sussex Police	West Sussex CC	South East
Dacorum	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
Dartford	Kent	Kent Police	Kent Fire	South East
Daventry	Northamptonshire	Northamptonshire Police	Northamptonshire CC	East Midlands
Derbyshire Dales	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
Dover	Kent	Kent Police	Kent Fire	South East
East Cambridgeshire	Cambridgeshire	Cambridgeshire Police	Cambridgeshire Fire	East of England
East Devon	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West
East Dorset	Dorset	Dorset Police	Dorset Fire	South West
East Hampshire	Hampshire	Hampshire Police	Hampshire Fire	South East
East Hertfordshire	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
East Lindsey	Lincolnshire	Lincolnshire Police	Lincolnshire CC	East Midlands
East Northamptonshire	Northamptonshire	Northamptonshire Police	Northamptonshire CC	East Midlands
East Staffordshire	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
Eastbourne	East Sussex	Sussex Police	East Sussex Fire	South East
Eastleigh	Hampshire	Hampshire Police	Hampshire Fire	South East
Eden	Cumbria	Cumbria Police	Cumbria CC	North West
Elmbridge	Surrey	Surrey Police	Surrey CC	South East
Epping Forest	Essex	Essex Police	Essex Fire	East of England
Epsom & Ewell	Surrey	Surrey Police	Surrey CC	South East
Erewash	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
Exeter	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West

(a) Waste disposal services are provided by the County Council

(b) CC represents County Council

Table A2a: English local authority structure as at 1 April 2011 - Shire Districts (continued)

Billing Authority	Upper Tier (County Council)	Police Authority	Fire & Rescue Authority	Region
Fareham	Hampshire	Hampshire Police	Hampshire Fire	South East
Fenland	Cambridgeshire	Cambridgeshire Police	Cambridgeshire Fire	East of England
Forest Heath	Suffolk	Suffolk Police	Suffolk CC	East of England
Forest of Dean	Gloucestershire	Gloucestershire Police	Gloucestershire CC	South West
Fylde	Lancashire	Lancashire Police	Lancashire Fire	North West
Gedling	Nottinghamshire	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Gloucester	Gloucestershire	Gloucestershire Police	Gloucestershire CC	South West
Gosport	Hampshire	Hampshire Police	Hampshire Fire	South East
Gravesham	Kent	Kent Police	Kent Fire	South East
Great Yarmouth	Norfolk	Norfolk Police	Norfolk CC	East of England
Guildford	Surrey	Surrey Police	Surrey CC	South East
Hambleton	North Yorkshire	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber
Harborough	Leicestershire	Leicestershire Police	Leicestershire Fire	East Midlands
Harlow	Essex	Essex Police	Essex Fire	East of England
Harrogate	North Yorkshire	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber
Hart	Hampshire	Hampshire Police	Hampshire Fire	South East
Hastings	East Sussex	Sussex Police	East Sussex Fire	South East
Havant	Hampshire	Hampshire Police	Hampshire Fire	South East
Hertsmere	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
High Peak	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
Hinckley & Bosworth	Leicestershire	Leicestershire Police	Leicestershire Fire	East Midlands
Horsham	West Sussex	Sussex Police	West Sussex CC	South East
Huntingdonshire	Cambridgeshire	Cambridgeshire Police	Cambridgeshire Fire	East of England
Hyndburn	Lancashire	Lancashire Police	Lancashire Fire	North West
Ipswich	Suffolk	Suffolk Police	Suffolk CC	East of England
Kettering	Northamptonshire	Northamptonshire Police	Northamptonshire CC	East Midlands
King's Lynn & West Norfolk	Norfolk	Norfolk Police	Norfolk CC	East of England
Lancaster	Lancashire	Lancashire Police	Lancashire Fire	North West
Lewes	East Sussex	Sussex Police	East Sussex Fire	South East
Lichfield	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
Lincoln	Lincolnshire	Lincolnshire Police	Lincolnshire CC	East Midlands
Maidstone	Kent	Kent Police	Kent Fire	South East
Maldon	Essex	Essex Police	Essex Fire	East of England
Malvern Hills	Worcestershire	West Mercia Police	Hereford and Worcester Fire	West Midlands
Mansfield	Nottinghamshire	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Melton	Leicestershire	Leicestershire Police	Leicestershire Fire	East Midlands
Mendip	Somerset	Avon & Somerset Police	Devon and Somerset Fire	South West
Mid Devon	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West
Mid Suffolk	Suffolk	Suffolk Police	Suffolk CC	East of England
Mid Sussex	West Sussex	Sussex Police	West Sussex CC	South East
Mole Valley	Surrey	Surrey Police	Surrey CC	South East
New Forest	Hampshire	Hampshire Police	Hampshire Fire	South East
Newark & Sherwood	Nottinghamshire	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Newcastle-under-Lyme	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
North Devon	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West
North Dorset	Dorset	Dorset Police	Dorset Fire	South West
North East Derbyshire	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
North Hertfordshire	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
North Kesteven	Lincolnshire	Lincolnshire Police	Lincolnshire CC	East Midlands
North Norfolk	Norfolk	Norfolk Police	Norfolk CC	East of England
North Warwickshire	Warwickshire	Warwickshire Police	Warwickshire CC	West Midlands
North West Leicestershire	Leicestershire	Leicestershire Police	Leicestershire Fire	East Midlands
Northampton	Northamptonshire	Northamptonshire Police	Northamptonshire CC	East Midlands
Norwich	Norfolk	Norfolk Police	Norfolk CC	East of England
Nuneaton & Bedworth	Warwickshire	Warwickshire Police	Warwickshire CC	West Midlands
Oadby & Wigston	Leicestershire	Leicestershire Police	Leicestershire Fire	East Midlands
Oxford	Oxfordshire	Thames Valley Police	Oxfordshire CC	South East
Pendle	Lancashire	Lancashire Police	Lancashire Fire	North West
Preston	Lancashire	Lancashire Police	Lancashire Fire	North West
Purbeck	Dorset	Dorset Police	Dorset Fire	South West
Redditch	Worcestershire	West Mercia Police	Hereford and Worcester Fire	West Midlands
Reigate & Banstead	Surrey	Surrey Police	Surrey CC	South East
Ribble Valley	Lancashire	Lancashire Police	Lancashire Fire	North West
Richmondshire	North Yorkshire	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber
Rochford	Essex	Essex Police	Essex Fire	East of England
Rossendale	Lancashire	Lancashire Police	Lancashire Fire	North West
Rother	East Sussex	Sussex Police	East Sussex Fire	South East
Rugby	Warwickshire	Warwickshire Police	Warwickshire CC	West Midlands
Runnymede	Surrey	Surrey Police	Surrey CC	South East
Rushcliffe	Nottinghamshire	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Rushmoor	Hampshire	Hampshire Police	Hampshire Fire	South East
Ryedale	North Yorkshire	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber

(continued)

(a) Waste disposal services are provided by the County Council

(b) CC represents County Council

Table A2a: English local authority structure as at 1 April 2011 - Shire Districts (continued)

Billing Authority	Upper Tier (County Council)	Police Authority	Fire & Rescue Authority	Region
Scarborough	North Yorkshire	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber
Sedgemoor	Somerset	Avon & Somerset Police	Devon and Somerset Fire	South West
Selby	North Yorkshire	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber
Sevenoaks	Kent	Kent Police	Kent Fire	South East
Shepway	Kent	Kent Police	Kent Fire	South East
South Bucks	Buckinghamshire	Thames Valley Police	Buckinghamshire Fire	South East
South Cambridgeshire	Cambridgeshire	Cambridgeshire Police	Cambridgeshire Fire	East of England
South Derbyshire	Derbyshire	Derbyshire Police	Derbyshire Fire	East Midlands
South Hams	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West
South Holland	Lincolnshire	Lincolnshire Police	Lincolnshire CC	East Midlands
South Kesteven	Lincolnshire	Lincolnshire Police	Lincolnshire CC	East Midlands
South Lakeland	Cumbria	Cumbria Police	Cumbria CC	North West
South Norfolk	Norfolk	Norfolk Police	Norfolk CC	East of England
South Northamptonshire	Northamptonshire	Northamptonshire Police	Northamptonshire CC	East Midlands
South Oxfordshire	Oxfordshire	Thames Valley Police	Oxfordshire CC	South East
South Ribble	Lancashire	Lancashire Police	Lancashire Fire	North West
South Somerset	Somerset	Avon & Somerset Police	Devon and Somerset Fire	South West
South Staffordshire	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
Spelthorne	Surrey	Surrey Police	Surrey CC	South East
St Albans	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
St Edmundsbury	Suffolk	Suffolk Police	Suffolk CC	East of England
Stafford	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
Staffordshire Moorlands	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
Stevenage	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
Stratford-on-Avon	Warwickshire	Warwickshire Police	Warwickshire CC	West Midlands
Stroud	Gloucestershire	Gloucestershire Police	Gloucestershire CC	South West
Suffolk Coastal	Suffolk	Suffolk Police	Suffolk CC	East of England
Surrey Heath	Surrey	Surrey Police	Surrey CC	South East
Swale	Kent	Kent Police	Kent Fire	South East
Tamworth	Staffordshire	Staffordshire Police	Staffordshire Fire	West Midlands
Tandridge	Surrey	Surrey Police	Surrey CC	South East
Taunton Deane	Somerset	Avon & Somerset Police	Devon and Somerset Fire	South West
Teignbridge	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West
Tendring	Essex	Essex Police	Essex Fire	East of England
Test Valley	Hampshire	Hampshire Police	Hampshire Fire	South East
Tewkesbury	Gloucestershire	Gloucestershire Police	Gloucestershire CC	South West
Thanet	Kent	Kent Police	Kent Fire	South East
Three Rivers	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
Tonbridge & Malling	Kent	Kent Police	Kent Fire	South East
Torridge	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West
Tunbridge Wells	Kent	Kent Police	Kent Fire	South East
Uttlesford	Essex	Essex Police	Essex Fire	East of England
Vale of White Horse	Oxfordshire	Thames Valley Police	Oxfordshire CC	South East
Warwick	Warwickshire	Warwickshire Police	Warwickshire CC	West Midlands
Watford	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
Waveney	Suffolk	Suffolk Police	Suffolk CC	East of England
Waverley	Surrey	Surrey Police	Surrey CC	South East
Wealden	East Sussex	Sussex Police	East Sussex Fire	South East
Wellingborough	Northamptonshire	Northamptonshire Police	Northamptonshire CC	East Midlands
Welwyn Hatfield	Hertfordshire	Hertfordshire Police	Hertfordshire CC	East of England
West Devon	Devon	Devon & Cornwall Police	Devon and Somerset Fire	South West
West Dorset	Dorset	Dorset Police	Dorset Fire	South West
West Lancashire	Lancashire	Lancashire Police	Lancashire Fire	North West
West Lindsey	Lincolnshire	Lincolnshire Police	Lincolnshire CC	East Midlands
West Oxfordshire	Oxfordshire	Thames Valley Police	Oxfordshire CC	South East
West Somerset	Somerset	Avon & Somerset Police	Devon and Somerset Fire	South West
Weymouth & Portland	Dorset	Dorset Police	Dorset Fire	South West
Winchester	Hampshire	Hampshire Police	Hampshire Fire	South East
Woking	Surrey	Surrey Police	Surrey CC	South East
Worcester	Worcestershire	West Mercia Police	Hereford and Worcester Fire	West Midlands
Worthing	West Sussex	Sussex Police	West Sussex CC	South East
Wychavon	Worcestershire	West Mercia Police	Hereford and Worcester Fire	West Midlands
Wycombe	Buckinghamshire	Thames Valley Police	Buckinghamshire Fire	South East
Wyre	Lancashire	Lancashire Police	Lancashire Fire	North West
Wyre Forest	Worcestershire	West Mercia Police	Hereford and Worcester Fire	West Midlands

(a) Waste disposal services are provided by the County Council

(b) CC represents County Council

Table A2b: English local authority structure as at 1 April 2011 - Metropolitan Districts

Billing Authority	Police Authority	Fire & Rescue Authority	Waste Disposal Authority	Passenger Transport Authority	Region
Barnsley	South Yorkshire Police	South Yorkshire Fire	Barnsley	South Yorkshire PTA	Yorkshire & the Humber
Birmingham	West Midlands Police	West Midlands Fire	Birmingham	West Midlands PTA	West Midlands
Bolton	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Bradford	West Yorkshire Police	West Yorkshire Fire	Bradford	West Yorkshire PTA	Yorkshire & the Humber
Bury	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Calderdale	West Yorkshire Police	West Yorkshire Fire	Calderdale	West Yorkshire PTA	Yorkshire & the Humber
Coventry	West Midlands Police	West Midlands Fire	Coventry	West Midlands PTA	West Midlands
Doncaster	South Yorkshire Police	South Yorkshire Fire	Doncaster	South Yorkshire PTA	Yorkshire & the Humber
Dudley	West Midlands Police	West Midlands Fire	Dudley	West Midlands PTA	West Midlands
Gateshead	Northumbria Police	Tyne and Wear Fire	Gateshead	Tyne and Wear PTA	North East
Kirklees	West Yorkshire Police	West Yorkshire Fire	Kirklees	West Yorkshire PTA	Yorkshire & the Humber
Knowsley	Merseyside Police	Merseyside Fire	Merseyside WDA	Merseyside PTA	North West
Leeds	West Yorkshire Police	West Yorkshire Fire	Leeds	West Yorkshire PTA	Yorkshire & the Humber
Liverpool	Merseyside Police	Merseyside Fire	Merseyside WDA	Merseyside PTA	North West
Manchester	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Newcastle-upon-Tyne	Northumbria Police	Tyne and Wear Fire	Newcastle-upon-Tyne	Tyne and Wear PTA	North East
North Tyneside	Northumbria Police	Tyne and Wear Fire	North Tyneside	Tyne and Wear PTA	North East
Oldham	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Rochdale	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Rotherham	South Yorkshire Police	South Yorkshire Fire	Rotherham	South Yorkshire PTA	Yorkshire & the Humber
Salford	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Sandwell	West Midlands Police	West Midlands Fire	Sandwell	West Midlands PTA	West Midlands
Sefton	Merseyside Police	Merseyside Fire	Merseyside WDA	Merseyside PTA	North West
Sheffield	South Yorkshire Police	South Yorkshire Fire	Sheffield	South Yorkshire PTA	Yorkshire & the Humber
Solihull	West Midlands Police	West Midlands Fire	Solihull	West Midlands PTA	West Midlands
South Tyneside	Northumbria Police	Tyne and Wear Fire	South Tyneside	Tyne and Wear PTA	North East
St Helens	Merseyside Police	Merseyside Fire	Merseyside WDA	Merseyside PTA	North West
Stockport	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Sunderland	Northumbria Police	Tyne and Wear Fire	Sunderland	Tyne and Wear PTA	North East
Tameside	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Trafford	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Wakefield	West Yorkshire Police	West Yorkshire Fire	Wakefield	West Yorkshire PTA	Yorkshire & the Humber
Walsall	West Midlands Police	West Midlands Fire	Walsall	West Midlands PTA	West Midlands
Wigan	Greater Manchester Police	Greater Manchester Fire	Greater Manchester WDA	Greater Manchester PTA	North West
Wirral	Merseyside Police	Merseyside Fire	Merseyside WDA	Merseyside PTA	North West
Wolverhampton	West Midlands Police	West Midlands Fire	Wolverhampton	West Midlands PTA	West Midlands

Table A2c: English local authority structure as at 1 April 2011 - Unitary Authorities

Billing Authority	Police Authority	Fire & Rescue Authority	Region
Bath & North East Somerset UA	Avon & Somerset Police	Avon Fire	South West
Bedford UA	Bedfordshire Police	Bedfordshire Fire	East of England
Blackburn with Darwen UA	Lancashire Police	Lancashire Fire	North West
Blackpool UA	Lancashire Police	Lancashire Fire	North West
Bournemouth UA	Dorset Police	Dorset Fire	South West
Bracknell Forest UA	Thames Valley Police	Berkshire Fire	South East
Brighton & Hove UA	Sussex Police	East Sussex Fire	South East
Bristol UA	Avon & Somerset Police	Avon Fire	South West
Central Bedfordshire UA	Bedfordshire Police	Bedfordshire Fire	East of England
Cheshire East UA	Cheshire Police	Cheshire Fire	North West
Cheshire West and Chester UA	Cheshire Police	Cheshire Fire	North West
Cornwall	Devon & Cornwall Police	Cornwall UA	South West
Darlington UA	Durham Police	Durham Fire	North East
Derby UA	Derbyshire Police	Derbyshire Fire	East Midlands
Durham UA	Durham Police	Durham Fire	North East
East Riding of Yorkshire UA	Humberside Police	Humberside Fire	Yorkshire & the Humber
Halton UA	Cheshire Police	Cheshire Fire	North West
Hartlepool UA	Cleveland Police	Cleveland Fire	North East
Herefordshire UA	West Mercia Police	Hereford and Worcester Fire	West Midlands
Isle of Wight Council UA	Hampshire Police	Isle of Wight Council UA	South East
Isles of Scilly	Devon & Cornwall Police	Isles of Scilly	South West
Kingston-upon-Hull UA	Humberside Police	Humberside Fire	Yorkshire & the Humber
Leicester UA	Leicestershire Police	Leicestershire Fire	East Midlands
Luton UA	Bedfordshire Police	Bedfordshire Fire	East of England
Medway UA	Kent Police	Kent Fire	South East
Middlesbrough UA	Cleveland Police	Cleveland Fire	North East
Milton Keynes UA	Thames Valley Police	Buckinghamshire Fire	South East
North East Lincolnshire UA	Humberside Police	Humberside Fire	Yorkshire & the Humber
North Lincolnshire UA	Humberside Police	Humberside Fire	Yorkshire & the Humber
North Somerset UA	Avon & Somerset Police	Avon Fire	South West
Northumberland UA	Northumbria Police	Northumberland UA	North East
Nottingham UA	Nottinghamshire Police	Nottinghamshire Fire	East Midlands
Peterborough UA	Cambridgeshire Police	Cambridgeshire Fire	East of England
Plymouth UA	Devon & Cornwall Police	Devon and Somerset Fire	South West
Poole UA	Dorset Police	Dorset Fire	South West
Portsmouth UA	Hampshire Police	Hampshire Fire	South East
Reading UA	Thames Valley Police	Berkshire Fire	South East
Redcar & Cleveland UA	Cleveland Police	Cleveland Fire	North East
Rutland UA	Leicestershire Police	Leicestershire Fire	East Midlands
Shropshire UA	West Mercia Police	Shropshire Fire	West Midlands
Slough UA	Thames Valley Police	Berkshire Fire	South East
South Gloucestershire UA	Avon & Somerset Police	Avon Fire	South West
Southampton UA	Hampshire Police	Hampshire Fire	South East
Southend-on-Sea UA	Essex Police	Essex Fire	East of England
Stockton-on-Tees UA	Cleveland Police	Cleveland Fire	North East
Stoke-on-Trent UA	Staffordshire Police	Staffordshire Fire	West Midlands
Swindon UA	Wiltshire Police	Wiltshire Fire	South West
Telford & Wrekin UA	West Mercia Police	Shropshire Fire	West Midlands
Thurrock UA	Essex Police	Essex Fire	East of England
Torbay UA	Devon & Cornwall Police	Devon and Somerset Fire	South West
Warrington UA	Cheshire Police	Cheshire Fire	North West
West Berkshire UA	Thames Valley Police	Berkshire Fire	South East
Wiltshire UA	Wiltshire Police	Wiltshire Fire	South West
Windsor & Maidenhead UA	Thames Valley Police	Berkshire Fire	South East
Wokingham UA	Thames Valley Police	Berkshire Fire	South East
York UA	North Yorkshire Police	North Yorkshire Fire	Yorkshire & the Humber

(a) Waste disposal services are provided by the Unitary Authority

(b) Fire services are provided by the Unitary Authority

Table A2d: English local authority structure as at 1 April 2011 - Inner & Outer London Boroughs

Billing Authority	Upper Tier	Police Authority	Fire & Rescue Authority	Waste Disposal Authority
Inner London Boroughs				
Camden	GLA	GLA	GLA	North London WDA
City of London	GLA	City of London	GLA	City of London
Greenwich	GLA	GLA	GLA	Greenwich
Hackney	GLA	GLA	GLA	North London WDA
Hammersmith & Fulham	GLA	GLA	GLA	Western Riverside WDA
Islington	GLA	GLA	GLA	North London WDA
Kensington & Chelsea	GLA	GLA	GLA	Western Riverside WDA
Lambeth	GLA	GLA	GLA	Western Riverside WDA
Lewisham	GLA	GLA	GLA	Lewisham
Southwark	GLA	GLA	GLA	Southwark
Tower Hamlets	GLA	GLA	GLA	Tower Hamlets
Wandsworth	GLA	GLA	GLA	Western Riverside WDA
Westminster	GLA	GLA	GLA	Westminster
Outer London Boroughs				
Barking & Dagenham	GLA	GLA	GLA	East London WDA
Barnet	GLA	GLA	GLA	North London WDA
Bexley	GLA	GLA	GLA	Bexley
Brent	GLA	GLA	GLA	West London WDA
Bromley	GLA	GLA	GLA	Bromley
Croydon	GLA	GLA	GLA	Croydon
Ealing	GLA	GLA	GLA	West London WDA
Enfield	GLA	GLA	GLA	North London WDA
Haringey	GLA	GLA	GLA	North London WDA
Harrow	GLA	GLA	GLA	West London WDA
Havering	GLA	GLA	GLA	East London WDA
Hillingdon	GLA	GLA	GLA	West London WDA
Hounslow	GLA	GLA	GLA	West London WDA
Kingston-upon-Thames	GLA	GLA	GLA	Kingston-upon-Thames
Merton	GLA	GLA	GLA	Merton
Newham	GLA	GLA	GLA	East London WDA
Redbridge	GLA	GLA	GLA	East London WDA
Richmond-upon-Thames	GLA	GLA	GLA	West London WDA
Sutton	GLA	GLA	GLA	Sutton
Waltham Forest	GLA	GLA	GLA	North London WDA

Table A2e: English local authority structure as at 1 April 2011 - Parks

National park authorities

Dartmoor
 Exmoor
 Lake District
 New Forest
 North York Moors
 Northumberland
 Peak District
 South Downs
 Yorkshire Dales

Other park authorities

The Broads
 Lee Valley Regional Park

A3 Parishes and Charter Trustees in England

There are over 11,000 civil parishes in England. Of these 9,946 are represented by bodies which may raise precepts. In this section parish refers to a parish represented by such a body. A Parish may be represented by a parish council, a town council or community council. In the case of small parishes, the parish meeting (an annual meeting of all electors in a parish) can take on the role of parish council. In a handful of cases parishes, such as Wells, have been granted city status and the parish council may call itself a city council. Parishes represent the most local level of Government in England - the third tier of local government.

In a small number of the un-parished areas bodies called charter trustees exist. These bodies exist to administer ceremonial functions, such as the appointment of a mayor, where there is no parish to administer them. There are currently 17 such bodies in England.

Parishes and charter trustees (together with the two Temples of London as described below) are collectively known as local precepting authorities. This means they have the power to raise a precept on properties in their area in order to finance the functions that they perform. This precept, known as the parish precept, is included in the council tax of the billing authority of which they are a constituent.

Parishes vary widely in the populations they represent and the functions they perform. They can represent populations from less than 100 to tens of thousands of people, with budgets ranging from very modest amounts to over £1 million. The role they play also varies widely. Some play a very modest and local role, but others are more active, with a role similar to that of a smaller district council. Typically parish responsibilities include village halls, war memorials, cemeteries, allotments, open spaces, leisure facilities, playgrounds, maintenance of public footpaths and cultural projects.

Parishes do not exist across the whole of England. Some areas are un-parished, including the whole of London where parishes were abolished in the London Government Act of 1963. However, since the Local Government and Public Involvement in Health Act 2007 there is the power to set up new local councils, including in London.

There are two further local precepting authorities - the Inner and Middle Temples of London (“the Temples”) situated within the Temple area of the City of London. The Temples are different from parishes and charter trustees as they perform the functions within their area that are performed by the City of London authority (“the City”) in the rest of London. In exchange for performing these functions the City pays the Temples an annual precept apportioned from the council tax raised by the City.

Table A3a shows the total number of local precepting authorities in England, as well as the combined tax base of the areas covered by them.

In England in 2011-12 there are 9,946 parishes, 17 charter trustees and 2 Temples of London. This gives a total of 9,965 local precepting authorities. Of the 9,963 parishes and charter trustees, 9,187 have set a non-zero precept in 2011-12.

Table A3a: Local precepting authorities in England 2010-11 and 2011-12

		Year		% change
		2010-11	2011-12	
Parishes	Number	9,928	9,946	0.2
	Tax base (thousands)	7,902.6	7,941.2	0.5
Charter trustees	Number	17	17	0.0
	Tax base (thousands)	317.8	319.9	0.7
Total	Number	9,945	9,963	0.2
	Tax base (thousands)	8,220.4	8,261.1	0.5
of which: setting their own precept	Number	9,135	9,187	0.6
	Tax base (thousands)	7,933.2	8,000.3	0.8
Temples of London	Number	2	2	0.0
	Tax base (thousands)	0.1	0.1	-0.1

Table A3b gives the tax base and average parish precept per Band D property within the area of a parish or charter trustee that is charging a non-zero precept in 2010-11 and 2011-12.

The average Band D parish precept in England for 2011-12 is £45.88. This is an increase of 2.1% from 2010-11. The average Band D parish precept in each region outside London for 2011-12 varies from £25.10 in the North West to £57.97 in the North East.

Table A3b: Average Band D parish precept by region 2010-11 and 2011-12 ^(a)

Parishes and charter trustees charging a non-zero precept									
	Total Number		Tax base (thousands)		Aggregate of Local Precepts (b) (£'000)		Average parish precept per Band D (£)		
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	% Change
England	9,135	9,187	7,933.2	8,000.3	356,452	367,060	44.93	45.88	2.1
North East	305	304	311.7	305.0	16,935	17,684	54.33	57.97	6.7
North West	707	724	727.5	734.4	17,771	18,437	24.43	25.10	2.8
Yorkshire and the Humber	947	958	726.5	728.3	23,176	23,766	31.90	32.63	2.3
East Midlands	1,350	1,365	809.8	835.1	39,329	40,140	48.56	48.07	-1.0
West Midlands	921	924	750.3	755.7	29,099	29,742	38.78	39.36	1.5
East of England	1,695	1,695	1,312.7	1,324.5	65,400	67,588	49.82	51.03	2.4
London	0	0	0.0	0.0	0	0	-	-	-
South East	1,492	1,494	1,956.5	1,969.1	96,302	98,625	49.22	50.09	1.8
South West	1,718	1,723	1,338.1	1,348.2	68,440	71,078	51.15	52.72	3.1

(a) Excludes the Temples of London
(b) This is the total amount collected by the constituent billing authorities on behalf of parishes and charter trustees (excluding the City of London)

Table A3c gives the tax base and average Band D parish precept by class of authority

Most parishes are in shire districts. The greatest increase in parish precept is for unitary authorities with an average Band D parish precept increasing 2.9% from 2010-11 to 2011-12.

Table A3c: Parish precepts by class of authority 2010-11 and 2011-12 ^(a)

Parishes and charter trustees charging a non-zero precepts									
	Total Number		Tax base (thousands)		Aggregate of Local Precepts (b) (£'000)		Average parish precept per Band D		
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	(£) 2010-11	2011-12	% Change
England	9,135	9,187	7,933.2	8,000.3	356,452	367,060	44.93	45.88	2.1
London	0	0	0.0	0.0	0	0	-	-	-
Metroplitan Areas	232	230	461.2	459.0	15,058	15,198	32.65	33.11	1.4
Unitary Authorities	2,112	2,120	2,204.3	2,216.8	105,779	109,502	47.99	49.40	2.9
Shire Districts	6,791	6,837	5,267.7	5,324.5	235,616	242,360	44.73	45.52	1.8

(a) Excludes the Temples of London

(b) This is the total amount collected by the constituent billing authorities on behalf of parishes and charter trustees.

A4 Changes in English local authority functions and structure

This annex should be read in conjunction with the sections at the end of **Annexes C** and **D**, which summarise changes in the local government revenue and capital finance systems in recent years respectively.

Changes in the volume of local authority activity (and hence in expenditure and employment) may be associated with the addition or removal of functions, as detailed below; changes in demand for obligatory functions (for example, changes in the number of school-age children); policy changes in relation to discretionary functions (for example, the provision of new leisure centres); or changes in ways of providing the same services (for example, contracting out of service provision).

BEFORE THE 1970s

Before the nineteenth century, local government provided few nationwide services: the poor law and highway maintenance (administered mainly by parishes) and the local courts and prisons (administered mainly by county quarter sessions) were the main ones. Other local services were provided as a result of local initiative, based mainly on local Acts of Parliament.

In the nineteenth century, there was a gradual development of systematic, nationwide provision of local government services. Some of these were the result of initiatives by central government (such as most of the public health services) whilst others were developed by local initiatives (such as the municipal gas and electricity undertakings). Some were the result of the work of non-governmental organisations, later taken over by local government bodies (such as primary education).

As the nineteenth century progressed, the tendency to create new specialised agencies for each new service was replaced by a tendency to concentrate services, especially after the creation of county councils in 1888 and county district councils in 1894. At the same time, central government recognised increasingly the need to ensure uniform national standards and created the methods to do so, by guidance, conditional grants, inspectorate appeals systems and default powers.

The introduction of more and more local services was counterbalanced by the transfer of some services to central government (for example, prisons (1872), trunk roads (1930), gas and electricity (1947) and hospitals (1948)). In 1929, the abolition of the Boards of Guardians consolidated local government services in the hands of, in large towns, county borough councils and, in London and the metropolitan counties, the London County Council and metropolitan boroughs. Outside these areas the abolition of the Boards of Guardians consolidated local government services for county councils to county district councils and (in rural districts) parish councils and meetings. This structure endured until, in Greater London, the reform of 1965 (when the Greater London Council was formed) and elsewhere the reforms of 1974.

SINCE 1970

1973	Responsibility for upper-tier criminal courts (assizes and quarter sessions) transferred to central government.
1 April 1974	Local government reorganisation outside London: new structure of six metropolitan counties and 39 shire counties, divided into 36 metropolitan and 296 non-metropolitan districts, introduced. Responsibility for water and

sewerage transferred to water authorities. Ambulance and some health services transferred to health authorities.

- 1 April 1985 London Regional Transport transferred from the local authority sector.
- 1 April 1986 Abolition of Greater London Council and metropolitan county councils. In London, functions transferred to City of London, London Boroughs, Inner London Education Authority (ILEA), the London Fire and Civil Defence Authority, the London Waste Regulation Authority, waste disposal authorities and other bodies such as the London Planning Advisory Committee. In metropolitan areas, functions passed to metropolitan districts, waste disposal authorities (in Merseyside and Greater Manchester) and joint authorities for police, fire and civil defence, and transport. Residuary bodies were set up to wind up the affairs of the abolished councils.
- 26 October 1986 Responsibility for municipal bus services transferred to public transport companies.
- 1986 Introduction of devolved budgets for schools, resulting in the creation of schools as semi-independent institutions.
- 1 April 1987 Responsibility for municipal airports (except Manchester) transferred to public airport companies.
- 1 April 1989 Funding of polytechnics and higher education colleges transferred to the Polytechnics and Colleges Funding Council (PCFC).
- 1 Sept 1989 The first Grant Maintained schools came into existence following the 1988 Education Reform Act. These schools were independent of local authority control. They were funded by central government through the Funding Agency for Schools. Part of local authority expenditure on education consisted of payments back to the government for the funding of these schools.
- 1 April 1990 Inner London Education Authority (ILEA) abolished. Responsibility for education in Inner London transferred to London boroughs.
- 1 July 1992 Local Government Commission set up to review the structure of local government in England.
- 1 April 1993 Local authorities became responsible for implementing new legislation on Community Care. Funding of colleges of further education and sixth form colleges transferred from local authorities to the Further Education Funding Council (FEFC).
- 1 April 1995 The Isle of Wight unitary authority replaced the county council and two district councils. New police authorities were set up in the shire areas taking all policing responsibilities away from county councils.
- 1 April 1996 Unitary authorities were created in Avon, Cleveland, Humberside and North Yorkshire, replacing both shire districts and Avon, Cleveland and Humberside county councils. New combined fire authorities were created in each of these four authorities. Waste regulation became the responsibility of the Environment Agency, resulting in the abolition of the London Waste Regulation Authority.
- 1 April 1997 Unitary authorities were created in Bedfordshire, Buckinghamshire, Derbyshire, Dorset, Durham, East Sussex, Hampshire, Leicestershire, Staffordshire and Wiltshire, replacing some of the shire districts in these areas. New combined fire authorities were also created in these areas.

1 April 1998	Unitary authorities were created in Berkshire, Cambridgeshire, Cheshire, Devon, Essex, Hereford and Worcester, Kent, Lancashire, Nottinghamshire and Shropshire, replacing some shire districts and Berkshire County Council. New combined fire authorities were also created in each of these areas.
1 April 1999	Funding of Grant Maintained schools transferred to local authorities.
3 July 2000	A new Greater London Authority (GLA) was created which consists of a directly elected Mayor, a separately elected Assembly and about 400 support staff, and four functional bodies. The four functional bodies are: <ul style="list-style-type: none"> (i) The Metropolitan Police Authority (MPA) oversees policing in London (excluding the City). This was an entirely new local authority, the Receiver for the Metropolitan Police having been abolished. (ii) The London Fire and Emergency Planning Authority (LFEPA) is essentially a reconstitution of the old London Fire and Civil Defence Authority (LFCDA). (iii) Transport for London (TfL) has strategic responsibility for transport in London; TfL also has responsibility for London buses and it is also highway and traffic authority for certain major roads in London. (iv) The London Development Agency (LDA) promotes economic development and regeneration in London.
1 April 2001	Magistrates' courts in London became the responsibility of the Greater London Magistrates' Court Authority.
1 April 2002	Funding of sixth form education transferred from local authorities to the Learning and Skills Council (LSC).
15 July 2003	Control of London Underground was transferred from the Department for Transport to Transport for London.
1 April 2004	Combined fire authorities in shire areas become major precepting authorities, having previously been financed by payments from the county or unitary councils in their area.
1 March 2005	The New Forest National Park came into existence.
1 April 2005	Responsibility for magistrates' courts transferred from local authorities to Her Majesty's Courts Service.
1 April 2006	The New Forest National Park became fully functional. New financial arrangements for police and firefighter pensions took effect.
1 April 2009	Unitary authorities created in Cornwall, Durham, Northumberland, Shropshire and Wiltshire. Cheshire split into two new unitary authorities, 'Cheshire East' and 'Cheshire West and Chester'; Bedfordshire split into two new unitary authorities, 'Bedford UA' and 'Central Bedfordshire'.
1 April 2010	The South Downs National Park came into existence.
1 April 2011	The South Downs National Park became a full authority.



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